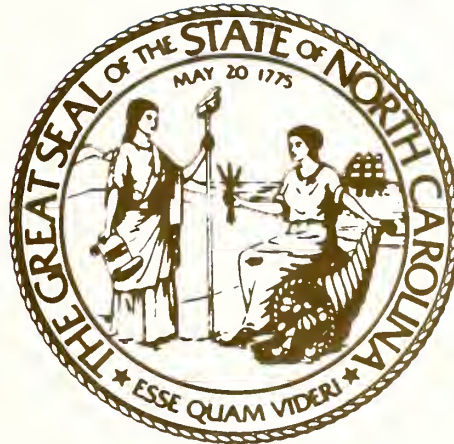


# Governor's Efficiency Study Commission



STATE OF NORTH CAROLINA

Survey and Recommendations

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UNIVERSITY OF NORTH CAROLINA



# Governor's Efficiency Study Commission



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# Governor's Efficiency Study Commission

Archie K. Davis, Chairman  
Sherwood H. Smith, Jr., Director of Manpower  
H. Dail Holderness, Director of Finance

October 1, 1973

The Honorable James E. Holshouser, Jr.  
Governor of North Carolina  
State Capitol  
Raleigh, North Carolina

Dear Governor Holshouser:

With great pleasure this final report on the findings and recommendations of the Governor's Efficiency Study Commission is submitted to you. It represents over 34,000 man-hours of executive time contributed by the private sector of the state in response to your Executive Order No. 1, dated January 16, 1973.

As businessmen, we have reviewed the operation and management of state government with the aim of providing comprehensive suggestions for improving economy and efficiency. Our conclusions are based on our best business judgment and proven management principles and practices. We believe our recommendations are attainable and are accurately and reasonably stated. Knowing it is your desire to accomplish real improvements, we are confident that implementation of these recommendations will be of great benefit to North Carolina.

The study group has displayed inspiring dedication and capability. The state employees have been most cooperative, and many of their suggestions are contained in this report. I am sure you join with me in expressing appreciation to those in state government and to the citizens and companies who gave their time and money to make this study possible.

All of us were proud to have had the opportunity to serve the state through this project.

Respectfully,

A handwritten signature in dark ink, reading "Archie K. Davis". The signature is written in a cursive, flowing style with a large initial "A".

Archie K. Davis  
Chairman

# Governor's Efficiency Study Commission

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# Foreword

In North Carolina, state expenditures have more than doubled in the last 10 years from \$990-million in 1963 to a projected \$2-billion in 1973. The number of full-time state employees, excluding public school teachers, rose from 42,000 to 69,000 during the same period. These figures reflect an alarming increase in government cost, coupled with a tremendous expansion of services in response to the ever growing demands and expectations of a complex society.

Shortly after taking office, Governor James E. Holshouser, Jr., proposed that a comprehensive study be made to improve the efficiency and economy of state government administration. In a meeting with many of the state's business and industrial executives, he asked the private sector to take the lead in this effort, on a nonpolitical basis, by applying their expertise to complex management problems. This study would be directed toward developing recommendations to:

- ▶ Identify immediate opportunities for organizational and operational improvements.
- ▶ Pinpoint areas where further in-depth studies could be justified by potential short- or long-term savings.
- ▶ Support existing management programs designed to increase the efficiency or reduce the cost of government services.

The Governor's proposal met with enthusiastic acceptance and support. Consequently, on January 16, 1973, he issued Executive Order No. 1 to authorize creation of the Governor's Efficiency Study Commission. The chairman and officers were designated to secure the required manpower, facilities, and financial assistance to carry out this independent effort. Warren King and Associates, Inc., a Chicago-based management consulting firm was retained to coordinate the project.

## Study Approach

As a result of the Governor's authorization, a non-profit corporation was formed to provide a vehicle to review agencies in the Executive Branch reporting directly or indirectly to the Governor. Elected of-

ficials were invited to participate if they desired. Manpower and financial support was contributed by 188 business firms, representing nearly every major industry in the state, and two educational institutions. More than 34,000 man-hours were devoted to this study by the 72 loaned executives from 54 participating companies during the 12-week study period. As a result, the entire study was conducted without placing any burden on the citizen's tax dollars.

The businessmen were divided into seven teams, each headed by a team leader, and assigned specific areas for review. Care was exercised in making manpower assignments to avoid potential conflicts of interest which could impair objectivity. Briefings were held with legislative leaders to assure them the study was management- and operation-oriented. Team leaders served on the Executive Committee, which evaluated and unanimously approved all findings and recommendations presented in the subsequent department and agency reports.

Each major state organization was reviewed in depth by a study team. Only the Department of State Auditor and the Department of Insurance did not invite the study group to review their operations. In addition, the Department of Justice and the Governor's Highway Safety Program were not included in this report because no significant recommendations could be developed. In areas where recommendations might be considered beyond the scope of pure management analysis, particularly hospital administration and food services, professional assistance was obtained.

To consistently measure potential benefits, some important principles were established. For example, savings claims were made when the recommended action would reduce current expenditures. Fee increases which offset costs were considered income. Fee increases which exceeded cost were considered taxation and were deemed beyond the scope of this effort. Cost avoidance claims were made to account for halting previously planned expenditures or eliminating vacant, budgeted positions. Whenever possible, estimated cost for implementation of the recommendation was identified. However, at best these



costs were based upon brief analysis and might not fully reflect all elements involved. For example, in the area of data processing changes, it is recognized that significant costs for installing systems and programming may not be adequately reflected.

Monies attributed to the reduction or addition of personnel included a computation of 15% of base salaries to compensate for direct fringe benefit costs. Estimated returns on invested idle cash assumed a modest 6% annual rate of interest. Whenever possible, federal or local funds affected by recommendations were also identified for the purpose of clarification. In many instances, benefits are not claimed in computations because their magnitude could not be accurately determined within the 12-week time span.

**Significant Findings**

Full realization of potential benefits should have the following fiscal impact:

	ANNUAL	ONE-TIME
Savings	\$66,982,500	\$ 106,000
Income	15,885,900	21,689,600
Cost Avoidance	5,675,500	45,833,700
Cost	(1,325,000)	(7,186,100)

While the thrust of this study was toward cost reduction and operational improvement, it was imperative that the matter of insufficient income be addressed in areas where services or benefits involved a narrow segment of the public. Much of the increased annual income, for instance, would be derived from charges assessed for licenses, inspections, rentals, and a wide variety of specialized user services. Many of these rates were established years ago and no longer adequately offset program costs. To cite one example, present costs associated with issuing permits for the retail sale of beer and wine exceed revenues by about \$315,000. Therefore, a proposal has been made to increase the permit fee from \$25 to \$50. The resulting increase in annual income would bring costs and revenues into line. More than 40 such deficiencies were noted, and care was exercised to recommend measures which would recover but not exceed current costs. The

combined effect of proposed fee adjustments would increase annual income to the state by approximately \$5.5-million.

Most of the one-time income would come from the proposed sale of extensive real estate holdings in the Departments of Agriculture, Human Resources, and Social Rehabilitation and Control. These properties are currently idle or associated with unnecessary activities such as the farm operations at five mental health institutions. All but one of these farms have ceased operations because in recent years it has been more economical to purchase food products. Although disposition of unused farmlands remains a solid proposal, it is recognized that such action must be exercised with great care in the light of current world agricultural shortages and rising food costs. This land may increase in value over the years, but at present it is not taxable and produces little or no income. In all cases of real estate disposal, recommendations were made for public sale or allocation to other areas of state government. Selling these recommended parcels would generate a one-time income of about \$17-million. Buildings with a combined book value of \$11.5-million were not considered in estimating financial benefits since they are primarily one-purpose structures.

**Reorganization**

The Executive Organization Act of 1971 designated 17 major departments to integrate the operations of over 200 formerly independent agencies, commissions, bureaus, and boards. This landmark legislation was an important first step toward centralizing control under the administration of the Governor and making state government manageable. However, this was only a beginning, because the legislation merely transferred most existing organizational units to one of the new major umbrella departments. No attempt was made to sort out duplications, parallel operations, or appointment and reporting relationships. As a result, many newly subordinate agencies have retained independent statutory powers and still function as though they were principal departments.

To assist the Governor and the General Assembly in their desire to refine the operating organization, this

report proposes organizational changes in nine of the new departments. These departments are:

Department of Administration  
Department of Military and Veterans' Affairs  
Department of Commerce  
Department of Social Rehabilitation and Control  
Department of Human Resources  
Department of Transportation  
Department of Agriculture  
Department of Natural and Economic Resources  
Department of Public Education

Recommendations in most of these departments involve both realignment of independent units as well as internal reorganization of the units themselves. Major organizational changes, for example, have been recommended in the following departments:

- ▶ In the Department of Administration, creation of a new Office of Systems and Procedures is recommended. In addition, a restructuring is suggested in the current Office of Purchase and Contract. This latter action will significantly improve the state's purchasing practices and should provide annual savings of \$10-million.
- ▶ Within the Department of Human Resources, the Department of Social Services has the distinction of being the state's single largest recipient of federal funds. These funds are augmented by state monies for distribution to eligible citizens. Much of this department's growth has been through evolution, and an objective review suggests significant changes in organization. Consolidation of field operations, many of which are administered through counties, is imperative for equitable and efficient program implementation. Similarly, the state office operations must be realigned to provide support, guidance, and program control through audits for the many services rendered in this widespread department.
- ▶ In the Department of Transportation, particular attention was given to reorganizing the Highway Commission in order that the divisions might have more control over projects through better planning, scheduling, and increased productivity from improved job standards and accounting procedures. Shop consolidation and realignment of maintenance personnel in the several divisions should bring about a reduction of surplus equipment and personnel. It is recommended that the Right of Way Division be

reorganized into three regions. This division, along with planning, design, and supporting groups, would report to the same manager. The new arrangement would, therefore, provide easier control from the Highway Commission headquarters.

These organizational and other recommended changes should substantially reduce the 8 to 10 years' time required for highway construction, as well as produce savings in excess of \$27-million annually.

- ▶ The State Board of Education has complete authority and responsibility for direction of the Department of Public Instruction, the Controller's Office, and the Department of Community Colleges. This alignment provides no full-time chief executive officer. Furthermore, the Superintendent of Public Instruction has remained a constitutional officer elected by the public. This arrangement requires committee management which is inefficient and conducive to internal competition and uncoordinated action. Therefore, recommendations in this report present an organization plan which would provide for appointment of a secretary or chief executive officer in order to achieve the best possible managerial structure. The committee believes that the overall magnitude of this operation, in terms of financial and personnel responsibility, requires such action.

Full realization of the substantial savings available through the proposed realignments will not occur immediately since considerable time will be required for implementation. However, unified action should begin in the very near future. The changes will establish clearer lines of authority, placing accountability at levels where personnel are better able to deal with day-to-day operating problems.

### Opportunities for the Future

The documented findings of this report are comprehensive and aimed at providing significant improvements. However, continuing refinement will be necessary for state government to remain efficient in an ever-changing and dynamic society. This 12-week study did not attempt in-depth analysis of broad, complex, and overlapping functional areas, but some important conclusions have been reached. Further analysis and development of management improvements must be made to transcend departmental and agency lines in several key management areas, including:

Office Space Leasing and Construction—Rented floor space has increased by 60% during the last 2 years in the Raleigh area alone, and ex-



pansion will probably continue. In certain cases, state ownership or construction of buildings is justified and is specifically recommended. In other instances, consolidation of agencies within buildings should be considered. All leases should be channeled through the Real Property Section of the Office of Property and Construction. This section should provide continued evaluation of need and economics, consideration of alternatives, and advantageous lease terms. Furthermore, it is obvious that greater control must be exercised in the broad area of capital outlay, especially in light of higher construction costs. While no specific controls have been proposed, further building programs must receive the best in professional analysis.

**Accounting and Budgeting**—Currently, North Carolina's budgeting practice emphasizes line-item expenditure control rather than program performance. This situation should be reversed. A uniform chart of accounts is an absolute necessity, and an information system, including financial as well as other management data should be constructed. Accounting, budgeting, and financial analysis classifications should be standardized. More valid measures of program effectiveness are also needed. In addition, centralization of disbursing and accounting functions would facilitate assembling accurate cost information.

**Motor Vehicles**—The state owns approximately 17,000 vehicles, but no single agency or department has full responsibility for them. While new units are purchased through the Office of Purchase and Contract, individual agencies independently establish the number required, operational policies, maintenance standards, and cost controls. This makes uniform operations impossible. The Department of Administration should develop guidelines for vehicle operation, maintenance, and replacement. Enforcement should remain the responsibility of individual agencies. However, the guidelines should provide a basis for systematic collection and analysis of costs to provide meaningful vehicle operating data.

**Personnel Practices**—Decentralized personnel functions now result in inconsistent and often ineffective administration of this essential area. The Office of State Personnel should be adequately staffed to establish personnel policies, train and guide departmental personnel officers, and audit compliance. Under the reorganization act, each department head should have a designated subordinate responsible for

personnel activities who also reports functionally to the Office of State Personnel. The state should also develop an ongoing basic management training program, an employee merit recognition program, and improved procedures for transfer of employees between agencies.

**Data Processing**—Data processing units have been developed at various times, with talents and monies seemingly placed on a random basis. As a result, computer installations are incompatible. Major applications are also fragmented. This function continues to increase in importance. Therefore, a centralized approach should be adopted to improve operations through better hardware compatibility, operational standards, and employee development. Non-academic data processing requirements of higher education should also be included in this centralization. To avoid loss of control by the departments, a data processing guidance council with representation from each department should be formed to set priorities and establish major policies.

## Conclusion

The proposals summarized here are generally brief. However, comprehensive files of supporting data have been maintained and will be available to those responsible for implementation. Furthermore, members of the Governor's Efficiency Study Commission stand ready to provide interpretation and counsel on request. The Implementation section of this report provides guidelines on procedures for carrying out the suggestions presented herein. Work on many proposals has already been initiated by agency and department officials. Some recommendations, especially in the area of departmental reorganization, will perhaps require as much as 24 months for effective implementation.

Approximately 85% of the 676 documented recommendations can be accomplished by executive action. These proposals should serve as a basis for continuing reexamination of state government policies and procedures. Therefore, this study effort provides only a beginning point for an aggressive program of improvement in management of state government.

Everyone associated with the study is greatly indebted for the interest and cooperation shown by North Carolina employees. State personnel supplied information, ideas, and suggestions which formed the basis for many proposals in this report. They contributed substantial amounts of time and effort and endured numerous inconveniences, all in the interest of better government. Without their aid, this task could not have been successfully accomplished.

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  - 192. Medical Care and Institutional Services
- 194. Department of Transportation
  - 194. Assistant Secretary for Management
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- 200. State Ports Authority
- 201. Department of Agriculture
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  - 202. Office of Agri-Business and Public Service
- 203. Department of Natural and Economic Resources
  - 203. Office of Water and Air Resources
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  - 205. Office of Industrial, Tourist, and Community Resources
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- 206. Department of Public Education
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- 207. Controller's Office
- 208. Department of Community Colleges
- 209. The University of North Carolina
- 210. The Universities
  - 210. Appalachian State University
  - 211. East Carolina University
  - 211. Elizabeth City State University
  - 211. Fayetteville State University
  - 211. North Carolina Agricultural and Technical State University
  - 211. North Carolina Central University
  - 211. North Carolina School of the Arts
  - 212. North Carolina State University at Raleigh
  - 212. Pembroke State University
  - 212. University of North Carolina at Asheville
  - 212. University of North Carolina at Chapel Hill
  - 213. University of North Carolina at Charlotte
  - 213. University of North Carolina at Greensboro
  - 213. University of North Carolina at Wilmington
  - 213. Western Carolina University
  - 214. Winston-Salem State University
  - 214. North Carolina Memorial Hospital

## Section III

### Implementation

- 215. Implementation

## Section IV

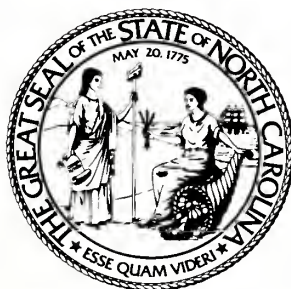
### Sponsors

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# Governor's Efficiency Study Commission



## Department and Agency Reports



# Governor's Office

This office encompasses functions and staff personally required by the Governor to carry out his program during a 4-year term of office. Its primary responsibility is managing the Governor's day-to-day schedule.

## CURRENT OPERATIONS

The staff of 29 persons is responsible to an administrative assistant. It includes three special assistants, whose activities involve minority affairs and appointments to boards and commissions; a news secretary; a legal counsel; a legislative liaison, who works with the legislature in behalf of the Governor's program; an assistant, who intercedes for citizens in their dealings with state government; along with appropriate supporting staff.

## EVALUATION

The rapidity with which the legislature convened after the Governor took office seriously impaired the staff's ability to properly establish office routines. This problem is compounded by an extremely poor physical arrangement. Inadequate internal communication and indistinct definition of duties and lines of responsibility cause much waste motion. As a result, the Governor is overly involved in decision-making with regard to office activities.

## RECOMMENDATIONS

### 1. Expand and rearrange the staff area.

The present arrangement of offices and large open areas was arrived at as the most expeditious means of getting things going. Not enough consideration was given to workflow or interaction among staff members. Large numbers of people wander through the office at will, since there is no central reception area. Concentration on the work at hand is difficult, and confidential conversations are often impossible. Space for conferences by groups of people is also lacking. The facilities do not convey a proper image for the Governor of North Carolina.

Therefore, the offices should be enlarged and rearranged. Expansion at the present location is feasible and practical, but it will require relocation of the Office of State Auditor to the second floor of the Administration Building.

### 2. Revise the method of receiving phone calls.

Currently, all incoming calls are taken by a switchboard operator who, without any screening, switches the call to the party desired. If the call is for one of the seven principal members of the staff, it will be intercepted by a secretary.

Ideally, each principal should have his own separate line. The switchboard operator could then also serve as receptionist, while taking calls on the general office numbers. Internal responsibility for answering phones during absences, lunch, and the like could be assigned to ensure smooth reception of telephone messages.

### 3. Hold regular staff meetings, and prepare written descriptions of the duties and reporting relationships of each staff member.

At present, principal members of the staff are sometimes unaware of what the others are doing. Since it is difficult to determine where to take problems, many are unnecessarily passed to the Governor. Therefore, weekly meetings should be held to improve internal communications and facilitate accomplishment of the Governor's program. During legislative sessions and other busy periods, more frequent meetings will probably be necessary. The Governor should meet with his staff one or more times per month, depending on overall work load. In addition, written job descriptions should be prepared to clarify areas of responsibility and channels of authority. These would also be helpful in recruiting and training new personnel.

### 4. Assign responsibility for the Governor's schedule to one person.

The scope and complexity of the Governor's job make it virtually impossible for him to objectively schedule his time. Responsibility for scheduling should go to someone who can dispassionately analyze each request. In this way, much of the time currently spent by the Governor in attempting to arrive at all these decisions himself could be devoted to more substantial problems.

### 5. Make the positions of legislative liaison and secretary full-time.

Currently, these jobs are active only during the session of the legislature. However, with annual sessions and standing committees meeting during the intervals, there will be a continuing need for contact with members of both legislative houses. Therefore, the legislative liaison and his secretary should be made full-time. Costs would be minimal.

### 6. Coordinate activities of other state departments by assigning each principal staff member to cover several of them.

Frequently, situations have arisen within departments which could have been more judiciously and expeditiously managed if they had been anticipated. A staff member should be assigned to each department. The staff would then be alert to developments and could inform and advise the Governor.

**7. Increase the responsibilities of the Cabinet Secretaries.**

In working with those outside the office, much of the Governor's time is consumed with meetings preliminary to presentation of final plans for his approval. Cabinet Secretaries should assume responsibility for preparation stages.

**8. Prepare a manual covering the duties and qualifications of board and commission members appointed by the Governor.**

Currently, several hundred boards and commissions involving thousands of persons are appointed during a Governor's 4-year term. For each appointment, considerable time is spent researching its duties, relevant requirements of the law, and the desired qualifications of applicants. A manual outlining this information should be prepared to expedite appointments and assure their being properly filled.

**9. Transfer all extradition work to the Attorney General's Office.**

The actual process of extradition is carried out by the Attorney General. Some related paperwork and payments are managed by the Governor's Office. These activities should be transferred to the Attorney General, with the Governor's involvement limited to signing necessary documents.

**10. Maintain complete prisoner correspondence files at the Parole Board.**

At present, prisoner correspondence is sent to the Parole Board for handling. The original and a copy of the reply are returned and filed. These records are rarely used. The file is kept 4 years and then sent to the archives. Since this procedure duplicates files, the original should be kept by the board. A copy should be returned to the Governor's Office to be kept 6 months and then destroyed.

## Lieutenant Governor

This office provides staff support for the Lieutenant Governor, who serves as President of the Senate and appoints the standing committees. He is also a member of the State Board of Education, and additional duties can be assigned by the Governor or the General Assembly. On January 1, 1973, the position was made full-time.

### CURRENT OPERATIONS

The Lieutenant Governor is supported by a staff of four. An administrative assistant manages correspondence, scheduling, and public relations activities, as well as represents the Lieutenant Governor at meetings and official gatherings as required. A legislative assistant reports upon activity within the legislature, acts as liaison with legislators, attends committee meetings, schedules pages, and deals with constituent problems. An administrative secretary and a stenographer provide office support.

### EVALUATION

Since this office only recently became a full-time position, it is difficult to measure its effectiveness.

The staff and the Lieutenant Governor are searching diligently for their appropriate roles, and it probably will take a full year to fully establish responsibilities and standards of performance.

### RECOMMENDATIONS

**1. Provide the Lieutenant Governor with adequate office space.**

This small staff is located in two different places within the Legislative Building. A much improved working relationship could be achieved, if the staff were consolidated in quarters more befitting the status of the office.

**2. Investigate legislative and governmental activities to determine those which should be the responsibility of a full-time Lieutenant Governor.**

The continuity provided by the full-time nature of this office makes it possible for the Lieutenant Governor and staff to take on responsibilities beyond the operation of the Senate. These should be carefully explored.

## Department of Administration

This department is a service organization under direction of the Secretary of Administration, who is appointed by the Governor. It performs manage-

ment and administrative services for the departments, commissions, boards, and other agencies of state government.



## CURRENT OPERATIONS

Each of the eight offices of the department is supervised by a director. These offices include Budget, State Property and Construction, Purchase and Contract, State Planning, Management Systems, State Personnel, General Services (including the Motor Pool), and State-Federal Relations. Their activities are treated elsewhere in this report. As of May 1, 1973, personnel in the department totaled 801. Total expenditures for fiscal 1973 were about \$14.7-million. Budget requests for fiscal 1974 and 1975 were \$12-million and \$12.1-million, respectively.

## EVALUATION

In a large organization such as state government, the administrative function is very important. The department's influence is felt across all organizational lines but it has not been able to establish strong central leadership representing the Governor. The administrative analysis section does not have enough authority to accomplish its mission. Adequate channels of communication between departments have not been established. Consequently, administrative policies and procedures are often inconsistent, and duplications are common.

## RECOMMENDATIONS

### 1. Create an office of systems and procedures within the department to implement continuing improvements in all departments.

According to a 1957 law, an administrative analysis section was established within this department to improve organization, methods, and procedures for all departments of state government. However, the goals of the statute have not been met. Most agencies and departments continue to work independently, thereby wasting time and effort. A major reason for this failure is the lack of stature of the present systems group. The administrative analysis section, known as Internal Management, is a relatively obscure part of the Office of Management Systems. The primary concern of this office is automated data processing. The scope of its data processing activities will probably increase in the future, and the status of Internal Management will accordingly decrease.

The Internal Management Section should be removed from the Office of Management Systems and established as a separate office in the Department of Administration. It should be renamed Office of Systems and Procedures. This action should provide the stature necessary to cross departmental lines. Its specific functions would include motor fleet guidelines, space layout, agency consolidation, work measurement, central duplicating, forms management, and special efficiency studies.

In addition to these and other statutory responsibilities, the new office should be assigned the major duty of establishing and maintaining a continuing cost reduction program in all departments. Similar programs in many successful industries continually meet cost reduction goals of 5% annually. A reduction of only 0.5% in state government costs would represent annual savings of at least \$13-million. However, savings are not claimed. No significant costs are associated with implementation.

### 2. Establish an interdepartmental advisory council to determine programs, goals, and priorities for all departments of state government.

Various offices of this department have been empowered to function across department lines since 1957. These offices have attained only limited success. They have been hampered by a lack of common purpose among department heads, as well as the politics involved.

An interdepartmental advisory council should be formed to establish specific goals and objectives for all departments of state government. This council would be made up of the 17 department secretaries and would deal primarily with improvements in systems and procedures common to all departments, such as data processing, continuing cost reduction, work measurement, space layout, central duplication and mail service, motor fleet management, and the like. Specific suggestions for improvement could originate from the Office of Management Systems, the Office of Systems and Procedures, or any other office or individual.

Technical offices of the Department of Administration should coordinate implementation of recommendations of the council. For example, Management Systems would coordinate all interdepartmental data processing, Systems and Procedures would coordinate cost reduction, and so on. The department's major function would be to guide progress of new projects across departmental lines and coordinate reporting to both the council and the directly affected departments.

Mechanics for implementation of policies and goals set by the council should also be firmly established. A minimal staff section should be placed in each department, consisting in some cases of only a single person. According to the scope of a project, either an office of the Department of Administration would work directly with the staff section of other departments in implementing a program, or guidelines would be issued from the central office, with implementation left to the staff section.

A major advantage of the proposed structure would be improvement in interdepartmental communication. In addition, savings would result from the continuing cost reduction program and implementing

the latest systems and procedures. However, neither savings nor costs can be determined without further study.

**3. Authorize the department to establish guidelines for vehicle assignment, optimum utilization procedures, and an auditing application to ensure adherence to regulations.**

There is currently no standardization of rules and regulations governing use and care of 17,000 state-owned passenger vehicles which have a value in excess of \$35-million. As a result, assignments, maintenance, and use are inconsistent.

Competent personnel should be assigned to establish guidelines for vehicle assignment and use. Authority for enforcement of these procedures should remain under the direction of the individual agencies. Guidelines should cover areas similar to those included in the existing motor pool rules booklet, but should be broadened in scope and modified to apply on a statewide basis. A major element to be considered is the broad problem of car assignment. The following are areas where procedures need to be established:

- ▶ Limit permanent assignments to those employees whose jobs normally require daily travel (except commuting) totaling a minimum of 3,000 miles per quarter, those subject to call and travel on a 24-hour basis, and those who do not have ready access to temporary vehicles or whose cars require special equipment.
- ▶ Restrict temporary assignments to employees traveling in excess of 75 miles in any one day. Exceptions due to extraordinary conditions could be made with the approval of a proper authority. All cars assigned on a temporary basis would be returned to the local pool at the end of any working day, if the vehicle is in the same city as the motor pool. Employees traveling less than 75 miles in any one day should be reimbursed for use of their personal vehicles.
- ▶ Bill the use of motor pool cars on a mileage basis, plus a per diem rate, to provide greater incentive to return cars to the pool. The suggested rate is \$0.09 per mile plus \$8 per day, commencing with the third working day.
- ▶ Develop standardized forms and procedures for obtaining meaningful vehicle operating data from each agency. The format and data should be designed for future computerized application and analysis. Periodic reports should be distributed to each agency for review of compliance with guidelines.
- ▶ Perform evaluation studies to determine potential economies, particularly in the areas of reg-

ional motor pools, maintenance shops, and fuel and oil supplies.

A number of very real economies are obtainable through improved control of the state's motor vehicles; namely, lower maintenance costs, decreased personal use, reduction in the size of motor fleets, decreased parking requirements, and improved public relations. Due to time limitations of the study, this recommendation touches only a few of the most obvious areas needing attention. Savings cannot be determined without further examination.

**4. Transfer the North Carolina Zoological Authority to the Office of Recreation Resources.**

A planned restructuring of the Office of Recreation Resources will give it full responsibility for planning, development, and promotion of the state's recreational facilities. Since the zoo should become a prime recreational site and receive considerable promotion, it should be transferred to this office.

**5. Purchase compact-size motor vehicles.**

Presently, the majority of the fleet of passenger vehicles owned by the state are standard size. The need for standard-size vehicles is not justified.

Compact-size vehicles should be purchased instead. This would save the difference of contract purchase price, which was \$255 per unit in 1973. The annual purchase of an estimated 800 to 1,500 vehicles would yield a minimum saving of \$204,000. Operating and maintenance savings would amount to about \$61,000 per year, for total annual savings of \$265,000. Additional benefits would be derived from the compacts' higher recovery value.

## Office of the Budget

This office supports the Governor in his duties as Director of the Budget. It serves as staff to the Advisory Budget Commission and informs and assists the Joint Appropriations Committee of the General Assembly. The Office of the Budget is the only unit involved in both preparation and execution of the total state budget. It also disburses state funds, keeps the state's fiscal records, and supervises the central payroll operation.

The Office of the Budget operated on appropriations of \$858,800 for fiscal 1973 with a staff of approximately 42 persons. In the preparation of budgets for ensuing bienniums, the office carries out the provisions of the Executive Budget Act. Requests and recommendations are presented under the categories of base, change, and capital improvement. Base budgets allow only certain increases over base year levels, while reductions are effected in amounts which are excessive or not to be repeated. The change budget includes requests and justifications



for expansion, improvements, new programs, salary increases, and the like. A supportive services section of the office prepares a variety of statistical publications for state agencies and the general public and is assisting in development of an automated personnel system. The Disbursing Division has a staff of 21 persons whose functions involve disbursements, fiscal records, and the central payroll. These activities require pre-audit of state agency expenditures, and issuance of warrants on the State Treasurer. This division also furnishes the Governor a detailed statement of expenditures of the General Assembly for the current biennium and an estimate of its financial needs for the next biennium. It also performs payroll functions for 36,215 employees.

The state's budgetary process is oriented toward line-item expenditure control. Once costs have been fixed for a given biennium, they become the base for the next. Change requests are added to make a larger base for the succeeding biennium. Within this framework, the office performs its duties efficiently. However, the present system does not require the agencies to define their programs properly, and not enough attention is given to program accomplishments. In addition, there is no uniform chart of accounts, and disbursing and accounting functions are not sufficiently centralized.

## RECOMMENDATIONS

### **6. Allow agency directors flexibility to spend certified appropriations by programs, as long as the total appropriation for each purpose is not exceeded.**

Budgets are now certified and executed in detail. Frequent requests are made by agencies for line-item changes. In the first 9 months of fiscal 1973, 100 such requests were made by the Office of Health Services alone.

Authority should be given to agency directors to spend the amounts certified by purpose or program without prior approval, except for salaries, wages, equipment, and capital outlays. Expenditures would be made and accounted for on a detail basis as now. However, as long as certified summary items were not exceeded, no pre-requests would be necessary. Requests would still be required for a change from one certified program or purpose to another.

Cost avoidance and other benefits conservatively estimated at \$250,000 per year could be realized. However, none is claimed.

### **7. Centralize disbursing and accounting for agencies on warrant account within the Disbursing Division.**

Current disbursing and accounting procedures in agencies on warrant account are cumbersome and

involve several manual steps. At present, there are 10 accounting machines and two mini-computers within these agencies, with an average cost of \$20,000 each. Service contracts on the 12 units cost the state \$12,000 annually.

A uniform chart of accounts should be designed and implemented, and disbursing and accounting functions should be centralized. This would add to the efficiency of assembling necessary cost information. Data processing capability in the Disbursing Division is sufficient to manage some 254 budget codes on warrant account. Agencies under the warrant system need only code vendor invoices with account and budget numbers. The Disbursing Division could then have this information keypunched centrally, and its data processing equipment could be used to write vendor checks, reconcile warrants outstanding, and prepare monthly and quarterly accounting reports. The monthly reports, which are now produced manually, would then be available to the Budget Office and other agencies on a more timely basis.

Development of this system would eliminate the typing of checks and monthly voucher registers, reduce processing time, decrease agency requirements for accounting machines, and simplify changeover to the proposed uniform statewide accounting system. Budget codes and historical cost information would also be available from computer printouts. This should reduce budget preparation time by a considerable amount.

At present, about 250 employees, with total annual salaries of about \$1.58-million, are involved in accounting and budgeting in the warrant account areas. Implementation would allow elimination of at least 50% of these positions, for annual savings of \$787,500. About 10 employees would be added to the Disbursing Division, at an annual cost of \$63,000. Net annual savings would thus be \$724,500. A one-time expenditure of about \$40,000 would be required to upgrade the existing system.

### **8. Prepare future state budgets in two volumes.**

Presently the budget is prepared in four volumes, with one each for base, change, capital improvements, and summary. It is difficult to grasp the overall scope of all four volumes. As a result, the budget staff spends many hours explaining various aspects to legislators.

Therefore, future budgets should be prepared in two volumes. The first should be a summary. Appropriations for each agency should be broken down into base, change, and capital improvements categories. Information would be summarized in a format of narrative, total requirements, estimated receipts, general fund appropriations, average number of employees by program, summary by programs, and

summary by objects. The second volume would be a detail cost presentation of programs outlined in the first. It would serve primarily as a reference document.

## Office of State Property and Construction

This office represents the state in engineering matters relative to all new capital improvements except highways. Additionally, it supervises the acquisition, disposition, and management of real estate. Responsibilities encompass all aspects of capital planning, budgeting, and financial as well as engineering control from project inception to completion. The office also maintains real estate records.

Under the State Property Officer, the office employs 37 people and operated from a budget estimated at \$662,000 for fiscal 1973. Expenses consisted primarily of salaries, travel expenses, and supplies.

Two groups of employees have separate primary functions. The largest, the Construction Engineering Group, deals with management of new capital spending. It approves all stages of planning and construction to assure that capital appropriations are spent in accordance with both sound engineering standards and the purpose for which they were intended. This group reviewed and placed 59 projects valued at \$16-million under design contract in calendar 1972. Another 221 projects, representing over \$48-million, were followed through to award of contract. In addition, over 300 construction bid openings were monitored and 140 final inspections made during the calendar year. Supplemental duties include preparation of cost estimates totaling over \$550-million in the current capital improvement budget, provision of consulting engineering assistance to other state agencies, and review of boiler, water treatment, and plant operation reports. The group plays a large part in assembling, arranging, and publishing the capital improvement budget.

The Property Control Group manages all state-owned and leased real property. It deals with land acquisitions, dispositions, easements, condemnations, and leases for virtually all state agencies. A major responsibility is maintenance and control of records of property transactions, including appraisals, maps, and deeds. Since many parcels lie outside the capital area, much work is done out of the office. During calendar 1972, Property Control supervised transactions resulting in over \$2.6-million of land acquisitions, 93 deeds, 113 leases, 34 condemnations, and 17 easements.

In recent years, the office has assumed a greater share of real property management. However, it still

does not have as much authority in lease negotiations and contract awards as it does for new capital construction projects. At present, leasing is negotiated and contracted by individual agencies.

Although the construction group does a professional job in assuring that all stages of capital project implementation are carried out in conformity with the highest engineering standards, some office operations lack efficiency. Yardsticks have not been developed to measure or improve productivity, and the work force is not properly balanced to the somewhat variable work load. Consideration has not been given to grooming younger men to assume greater responsibility when several long-term employees retire in the next few years.

## RECOMMENDATIONS

### 9. Require all state leasing contracts be submitted for approval prior to signing.

Although the Department of Administration has statutory authority to acquire all leased lands and buildings for the state, this practice has not been followed. Instead, each agency negotiates leases as its needs arise. This sometimes results in unfavorable arrangements. As an example, a building rented in 1965 was leased at an annual cost of \$4.83 per square foot. The building was later offered to the state for purchase, and an appraisal determined its annual market rent value was no more than \$3.33 per square foot. If the lease had been negotiated by specialists, \$14,000 per year would have been saved.

Agencies should work through the Office of State Property and Construction. Each lease could then be managed with the same thoroughness new construction now receives. This requirement would ensure uniform standards of evaluation before contracts were entered. Establishing economic rent as well as lease type, duration, and conditions would be required steps in the negotiation process, thereby resulting in a better lease at lower cost. Savings from elimination of overpriced leases and centralized management are estimated at \$41,000 annually in the Raleigh area and \$48,000 elsewhere. Three additional real estate specialists would be needed to cope with the increased work load at an estimated annual cost of \$40,000. Net annual savings would be \$49,000.

### 10. Construct a proposed office building to reduce needs for rented office space in Raleigh.

The state now spends more than \$1.36-million in annual rent in the Raleigh area. This includes 87 leases for 410,000 square feet of office space. Space needs in the capital area have increased by about 60% over the past 2 years.

In view of increasing needs and spiraling costs, the office building included in the current capital im-



provement budget should be constructed at a cost of about \$9.8-million. The proposed 16-floor structure will provide approximately 187,000 square feet of office space. It will allow further consolidation of governmental agencies now separated due to lack of suitable space, and thus contribute to overall efficiency. Based on a comparison of operating costs of similar buildings with current rent expenses, savings generated by the new structure would be more than \$375,000 annually. This office building is the keystone of the planned government center. When integrated with other planned buildings, it will provide a more efficient and attractive place to operate state government. Building cost and annual savings are not being claimed.

#### 11. Construct proposed office buildings in Charlotte and Winston-Salem.

The costs of constructing two state-owned office buildings are included in the current capital improvements budget. The first appropriation covers a 75,000-square-foot facility in Charlotte at a cost of \$2.3-million, while the second deals with a 53,000-square-foot unit in Winston-Salem costing \$1.6-million. Both structures should be built. The Charlotte building would save an estimated \$84,000 annually, based on current rent and operating costs. At Winston-Salem, estimated annual savings are \$60,000. In both cases, additional benefits should arise from the consolidation of governmental agencies. Further savings would accrue from property appreciation and future rent increases. The proposed cost and resultant savings are not claimed.

#### 12. Construct office buildings in five cities where the state rents more than 10,000 square feet.

In Asheville, Fayetteville, Greensboro, Greenville, and Wilmington, the state government is presently renting more than 10,000 square feet of office space. State buildings should be constructed in these cities since operating costs would be less than current rent. A summary of the economics for the five locations is shown in the table below.

CITY	RENTED SPACE (SQUARE FEET)	ANNUAL RENT	*OPERATING COSTS (ESTIMATED)	ANNUAL SAVINGS (ESTIMATED)	BUILDING COST (ESTIMATED)
Asheville	17,318	\$64,600	\$31,200	\$33,400	\$ 555,000
Fayetteville	11,099	36,600	20,000	16,600	355,000
Greensboro	11,400	28,200	20,500	7,700	366,000
Greenville	11,916	36,100	21,400	14,700	381,000
Wilmington	12,597	25,200	22,600	2,600	403,000
				<u>\$75,000</u>	<u>\$2,060,000</u>

\*Based on average costs in the Raleigh area.

Although two of the cities would show relatively small savings, state-owned buildings are recommended in view of probable future rent increases.

In addition to estimated annual savings of \$75,000, consolidation of services will provide greater efficiency of operation and improved service.

#### 13. Conduct regular evaluations of rentals to better determine whether to build or rent, and provide funding in the capital improvement budget.

Determinations of whether to build or rent are presently made in a somewhat random manner. The Property Control Group of this office should assume this responsibility, with the assistance of professional consultants. Rentals should be regularly reviewed to determine when and where to erect state-owned structures. No additional staffing would be required. Present estimates indicate average annual savings of \$2 per square foot would result from owning, rather than renting, office space. This proposal assumes implementation of another recommendation requiring processing of all state leases through a central office.

#### 14. Reduce the engineering staff to a minimum level in each skill area and supplement with outside help as required.

At present, personnel are added as required to meet the work load of peak years. This tends to create an overstaffed condition in years when appropriations are low. This office should scale down its staff to meet minimum needs in each skill area. In peak years, outside engineers can be hired to work under direction of permanent employees. Three permanent positions could be eliminated through this procedure, for estimated savings of \$41,000 per year.

#### 15. Eliminate the Capital Building Authority.

The Capital Building Authority was established by statute in 1967 to select architects or engineers for capital projects in the Raleigh area and to award construction contracts. However, selection of architect or engineer has traditionally been left to the originating agency or, in the Raleigh area, to the Capital Planning Commission. This is a proven practice and has been continued elsewhere in the state. Award of contracts is strictly a formality since, by statute, awards must be made to the lowest bidder. The Capital Building Authority should be eliminated and its duties reassigned to the originating agencies. To assure a uniform procedure for selection of qualified architects, the Office of Property and Construction should approve all selections prior to designation. Elimination of the authority would save \$5,000 in annual expenses.

#### 16. Require annual long-range land utilization plans to be submitted by each agency to the Property Control Group of this office.

There is presently no long-range land utilization plan for the state. As a result, many valuable land parcels are idle.

Each agency should annually submit a land utilization report stating plans for its land over 2-, 5-, 10-, and 20-year spans. Property Control could then coordinate acquisitions, dispositions, and leasing of all needed or excess properties. If it were known, for example, that an agency had a particular parcel that would not be used for 10 or 20 years, it could be leased at profit, sold, or at least loaned to another agency for that period. This would contribute to a more orderly pattern of growth and allow gradual land acquisition where long-range needs are known. No savings are estimated.

#### **17. Update maps and plats showing state-owned properties.**

A major responsibility of this office is to maintain records of all land acquisitions or dispositions through purchase, sale, lease or condemnation. An important part of this record is the map or plat showing each property's relationship to adjoining lands. Since the property management function is a relatively new responsibility for this office, some records are not current. All maps and plats showing state-owned or leased lands should be updated as soon as possible.

#### **18. Expedite planning for the construction of a 200,000-square-foot office structure in the government center.**

A recent supplemental budget request covered planning for a 200,000-square-foot office structure as part of the proposed state government center. The planning appropriation of \$300,000 was in addition to \$9.8-million designated for actual construction of another building.

Since more than 410,000 square feet of space is now rented in the Raleigh area, both projects should be approved. Actual records show the state can achieve annual savings of \$2 per square foot through ownership. This figure will probably increase as rising private building costs and property taxes are reflected in rent prices. In addition, the new structures will further consolidate state government agencies in the planned complex, contributing greater operational efficiency and improved service to the general public.

## **Office of Purchase and Contract**

This office is responsible for the effective and economical acquisition, management, and disposition of goods and services for all state agencies and institutions, as well as the community college system and local boards of education. In addition, it provides standards and engineering services which include writing specifications and quality control inspection for all goods purchased.

The staff consists of the State Purchasing Officer, his assistant, a special projects and planning specialist, eight purchasing supervisors, and 57 other employees. The operating budget for the 1971-73 biennium was \$1.02-million. Approximately \$200-million in state, local, and federal funds flow through this office each year.

Indefinite-quantity term contracts, bids, quotes, and a multitude of purchase orders are processed yearly. Approximately 67% of total expenditures involve indefinite-quantity contracts which do not specify minimum or maximum quantities. Activities with regard to bids, purchase orders, and quotes are increasing. Bids processed during the past 5 years rose by 47.4%. Purchase order trends indicate an increase in volume, but a low dollar value per order. Additionally, thousands of invoices submitted by agencies, community colleges, and local boards of education are approved for terms and price.

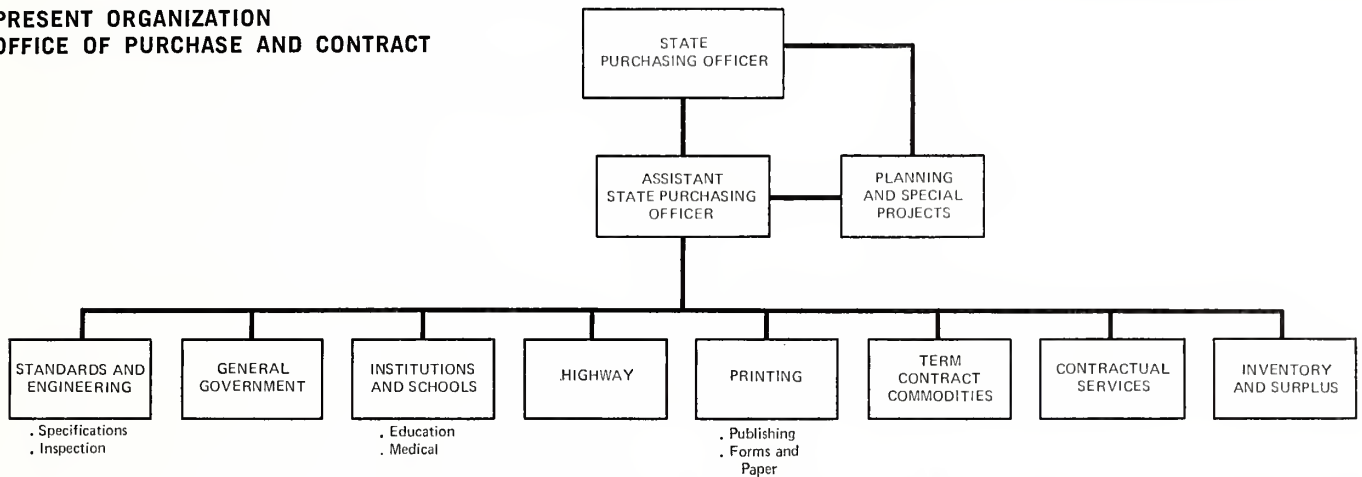
The office also manages state and federal surplus property. Federal property transactions are self-sustaining. However, the administrative cost for distribution of state property is assessed against this office. About \$7-million annually is recovered from these sales and returned to the agency owning the property. Quality control standards and engineering functions performed under supervision of this office have increased significantly in recent years.

The overall management of state acquisitions of goods and services needs immediate change. Management skills are generally inadequate and purchasing techniques outdated. The current organization does not provide effective centralized purchasing control. The present system dilutes purchasing power and causes frequent overlap of duties.

Inventory control guidelines for agencies, institutions, and departments have not been established. Catalog information and research data are scattered, and no system of identifying items by company or commodity has been adopted. Vendor master files are not updated, and redundant orders are placed for the same commodity with several suppliers. Bid procedures, in many cases, have too many vendors involved and 95% of the bids are evaluated manually. Bid requirements for expenditures in excess of \$2,500 for institutional operational supplies promote stockpiling through use of small-quantity orders. This results in excessive inventories, too frequent orders, and inflation of prices. Similar problems result from limits of \$1,000 for institutions and \$500 for local boards of education. Expenditures for operational supplies and fixed assets are not segregated to facilitate volume purchases.

Most payments of invoices are slowed by audits for pricing and excessive requirements for approvals.

**PRESENT ORGANIZATION  
OFFICE OF PURCHASE AND CONTRACT**



Cash discounts are lost, the negotiating power of the central purchasing group is impaired, and selling to state government departments becomes less attractive to vendors.

Purchase specifications are written by purchasing supervisors and assistants. However, supervisors sometimes rely on technical vendors' specifications. This may result in low-quality material at inflated prices. Engineers, uniform specification writers, and quality control inspectors are available, but they are not efficiently used.

The absence of standard procedures within the office causes overlap of duties and confusion among personnel. Electronic data processing is being implemented, but a fear of automation is expressed in some areas.

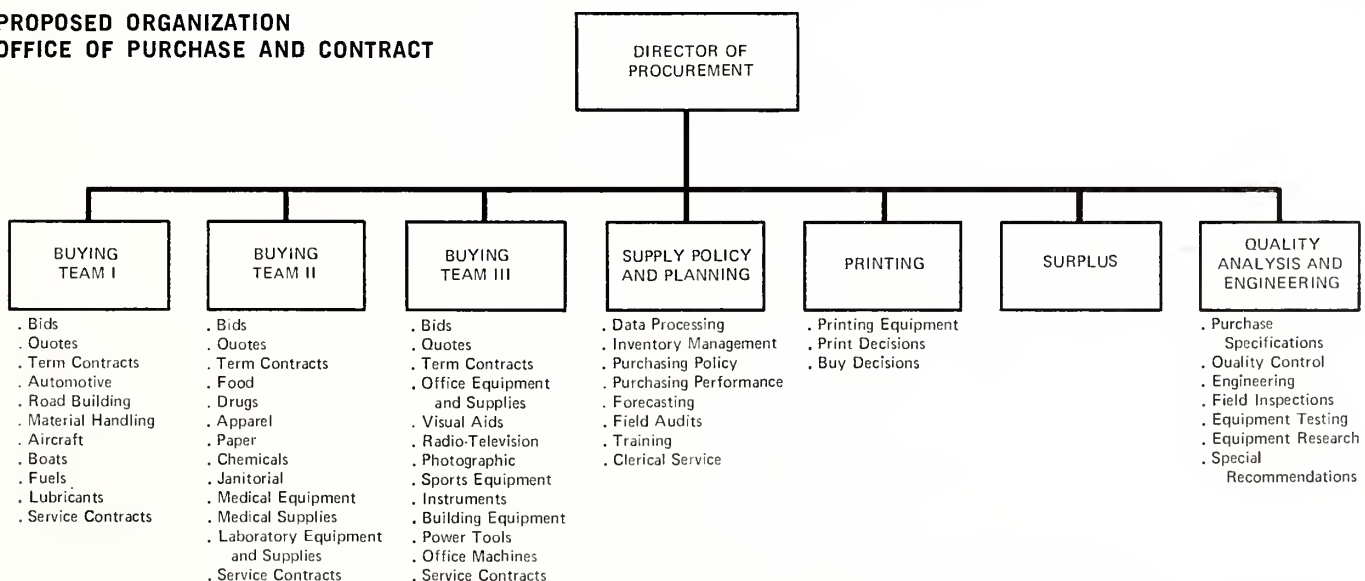
**RECOMMENDATIONS**

**19. Reorganize the office to effectively concentrate purchasing power.**

Currently, purchases of goods and services are made according to agency and institutional requirements. Many staffing and workflow problems result. For example, two one-man sections now exist which cannot operate effectively because of absences and work load fluctuations. The term contract commodities section, with only two men, cannot keep up with its duties. Purchasing agents are overloaded with paperwork and do not have time to negotiate.

The office should be reorganized along commodity lines to facilitate scheduled buying and achieve a better balance of staff. The present and proposed organizations are shown in the charts on this page.

**PROPOSED ORGANIZATION  
OFFICE OF PURCHASE AND CONTRACT**





for comparison. The State Purchasing Officer should be retitled Director of Procurement. This director should have at least 7 years of industrial purchasing experience, including work with data processing applications. He should hold weekly staff meetings and firmly encourage his managers to take part. The Assistant Purchasing Officer's position should be eliminated.

Three teams should be set up as specialists in buying certain commodities. Each team would manage term contracts appropriate to its particular commodities. Requisitions should be grouped to standardize purchases of like products, replacement parts, and preventive maintenance. Buys of this type could result in 10% to 20% savings by virtue of volume discount. Realignment along commodity lines would also maximize the advantages inherent in scheduled buying. These include taking advantage of seasonal market factors, leveling work load, reducing paperwork, and facilitating automation. In addition, a better working relationship between purchasers and engineers would be attained, since engineering is already oriented along commodity lines. Buyers would become more familiar with products.

A Supply Policy and Planning Unit would replace Planning and Special Projects. Its responsibilities would include organizing automated and manual data processing systems; establishing inventory management procedures; setting purchasing policies; as well as managing purchasing performance based on deliveries, quality rejects, attitudes, and overall performance. Purchasing managers could be evaluated in terms of standard costs set for all term contracts, with variances to be explained to the director. In addition, this unit would provide facilities to centralize paperwork.

Of the other units, Printing would deal only with printing equipment and decisions of whether to print in state or commercial facilities. The state and federal surplus property units should continue to function in the same manner. Standards and Engineering should be renamed Quality Analysis and Engineering, and more emphasis should be placed on its functions.

Implementation should reduce prices by 25% on at least 30% of commodities. Costs on another 50% of purchases would be cut 10%. Conservatively, overall annual savings should average 5% of total purchases, or \$10-million, during the first fiscal year of realignment. Personnel costs would also be reduced and administrative time saved, but these benefits are claimed elsewhere.

#### **20. Modify purchasing forms and procedures to improve efficiency.**

The Office of Purchase and Contract currently issues purchase orders for state agencies in the Raleigh

area. Orders are issued whether the item requested is on existing contract or not. Vendors submit invoices to the office, where they are reviewed and approved for terms and price. Each invoice is then transmitted to the requesting agency, where it is again verified to ensure receipt in satisfactory condition. From this point, the invoice is sent to a disbursing officer for payment. These procedures are redundant and delay payment, resulting in loss of cash discounts.

Purchase orders should be issued by each agency's purchasing officer, and invoices should be submitted directly to the initiating agency by the vendor for approval and payment. Payment should be made promptly to take advantage of discounts. If no discount is available, payment should be held until just prior to due date. When an agency requires a commodity not already under contract, it should submit a requisition to Purchase and Contract. This office will then issue a purchase order and request the vendor to send the invoice directly to the agency.

No records of cash discounts lost are now maintained, but under present procedures personnel readily admit it takes 30 to 45 days to process an invoice. Samples indicate cash discounts up to 2% and 3% are offered on 10% to 15% of invoices, if paid in 10 days. Realization of discounts now offered would provide estimated annual savings of \$200,000. Negotiating power would be improved on future contracts, as state business would become more attractive to business.

Furthermore, the standard bid form urges suppliers to compute all discounts into the bid price. Any vendor receiving such a request would probably minimize or not offer a discount. The statement should be altered to encourage bidders to specify all terms of payment, and the percentage of cash discount offered should be emphasized as a significant factor in determining award of contracts. If this change is made, cash discounts should be offered on an additional 5% of the total expenditures of \$200-million. This estimate is based upon the experience of large private companies. Industry statistics reveal that 1% cash discounts are earned in most cases. Therefore, additional annual savings of \$100,000 should result. Combined savings would be \$300,000.

#### **21. Establish a centrally located catalog library.**

A central source of commodity information is presently not available, and every agent maintains his own set of books. An up-to-date centrally located library should be established which contains pertinent information as to availability of commodities, vendor names, distributors, and adequate description of all commodities. In most cases, this information is provided by vendors at no cost and



bound in attractive volumes. All materials should be classified, with vendor and commodity cross-references. Filing should be scheduled daily to ensure up-to-date information. With this system, clerical personnel could be used to do research. Savings would result in correspondence, telephone calls to vendors, and purchasing supervisors' time.

**22. Change the accountability of purchasing personnel in agencies, institutions, and community colleges to require compliance with all central purchasing rules and regulations.**

Currently, this office does not have authority to police, audit, or hire purchasing people in the field. Consequently, many field managers do not follow prescribed policy.

Field purchasing personnel in agencies, community colleges, and institutions should be responsible to the Office of Purchase and Contract. In order to maintain effective control, audit field performance, as well as ensure proper training and professionalism, this office should approve the hiring of these employees. Centralized management would enable field purchasing agents to work together effectively. Intangible returns would include increased operational effectiveness, better teamwork, and provision for future management needs.

**23. Adopt modern value analysis techniques.**

There is currently no formal program of value analysis in the state's central purchasing area. Purchasing supervisors depend largely on their own knowledge to obtain best buys.

Value analysis methods involve defining the problem, fact finding, and searching for acceptable alternatives to the present method of performing the item's function. When a list of all alternate methods and materials is completed, the dollar value of each suggestion is determined. Impractical ideas are dismissed. Items which show promise are analyzed carefully and compared with the dollar value of the present method. The list of ideas is then developed through consultation with the best available engineering and field personnel. When the method is decided, facts are gathered to sell it to supervisory and other personnel. Finally, after implementation, the leader of the value analysis effort reports to management on savings generated and other results. A record is kept of changes and value techniques used, and persons who contributed to the effort should be recognized for their work.

The Office of Purchase and Contract should adopt improved value analysis techniques. A staff training program should be established by the Supply Policy and Planning Unit to train each purchaser and engineer in value analysis concepts. Periodic follow-up courses should be offered to keep abreast of

improved methods. Value analysis teams should then be assigned to high-cost commodities.

Adoption of value analysis methods should enable purchasers to obtain best buys of commodities more consistently. Undetermined savings on expenditures would be achieved.

**24. Change purchasing manual policy in regard to negotiation.**

The purchasing manual does not clearly state that negotiation techniques may be freely used. Under present procedures, most purchasing is simply a matter of requesting a bid or quote from potential suppliers and selecting the supplier who submits the lowest bid. If this applied in all cases, the entire procurement function might be handled as effectively and more economically by a group of clerks. However, negotiation can be purchasing's most important tool in its job of achieving optimum control of material cost.

Nonstandard high-value items account for 10% to 20% of purchases and 75% of expenditures. These are most appropriate for negotiation. Low-value items should be negotiated and placed on a yearly blanket order for shipment in bulk quantities when required. Negotiations for high-value, nonstandard items should consider engineering design cost, tooling cost, as well as direct material, labor, and overhead expenses. The profit margin should also be justified. Purchasers should in all cases request a cost breakdown from the vendor.

Reduced price is not the only objective. Rather, low ultimate cost in terms of quality, prompt delivery, and satisfactory service from the supplier should be the goal. Teams should be formed which include engineers, researchers, and quality control specialists, with the purchasing manager conducting negotiations. Strategy should be tactful but firm. Presently, state buyers feel the law does not allow hard negotiation. Therefore, the manual should be changed to explicitly require the recommended procedures. Lower prices and better quality on purchases of nonstandard, high-value materials and services should result.

**25. Organize and operate a self-service store for distribution of office supplies.**

Substantially all office supplies are now being purchased through the Contract Manager. The Office of Purchase and Contract placed 60,445 orders in fiscal 1972, and samples indicate 50% of these were for office supplies required by state organizations in Raleigh. Some orders were for as little as \$2 and, in some cases, shipping charges exceeded the commodity value. About 50% of the total was for \$25 or less. Currently, items on term contracts which exceed \$10 must be processed through this office.

A self-service store should be established and only the faster-moving items should be stocked. Economic order quantities should be determined, based on order frequency. Bulk orders should be compiled with a safety level of about 15 days and a reorder frequency of 60 days. Lead times would be about 30 days. To reduce paperwork, stock records should not be maintained on each item. Maximum and minimum levels could be set for each bin, and the storekeeper could reorder when stock approaches the low limit. Merchandise would be displayed on shelves. Shopping baskets and carts could be provided for customers. A catalog listing items carried in the store would be furnished for customers' use. Customers would be identified by possession of a credit card. This card would also contain necessary accounting data for preparation of sales slips by an imprinting device similar to those used by department stores. Each agency would be billed in accordance with the total purchase. Money to finance the inventory should be in the form of a revolving fund. Operating costs, principally salaries for the storekeepers, should be paid directly out of an appropriation fund account. The store should be operated by the Office of General Services, which would order stock from contracts established with local vendors by Purchase and Contract.

Volume buying from one or two local vendors, who could also be responsible for restocking, would conservatively reduce prices by 5%. As total annual expenditures for office supplies in the Raleigh area are now \$309,000, savings would be \$15,000. A saving is claimed elsewhere for reduction of personnel.

**26. Adopt firm regulations to ensure Quality Analysis and Engineering has sufficient authority to effectively perform its function.**

Currently titled Standards and Engineering, this section does not have appropriate authority to carry out its mission. Its duties are not properly clarified in the purchasing manual. Also, purchasing personnel dominate buying activities and veto decisions made by this section. High costs result from extra handling and inspection of rejections and replacements, lower quality of finished items using poor components, and increased production time in the vendor's plant.

Quality Analysis and Engineering should immediately be charged with the responsibility of writing specifications for both routine and nonstandard items. Purchases made on an as-needed basis should also be reviewed to be sure the requisitioner is aware of what is available. This review should be required for goods and services which exceed \$1,000 in cost or involve a source which is new in the marketplace. All items on term contracts, as well as blanket orders which exceed \$20,000, should be evaluated carefully.

As a result, more timely and appropriate purchases would decrease costs, and clearer specifications would facilitate vendors' production. Adoption of this recommendation should yield a \$500,000 annual saving, but no saving is claimed. In addition, the new program would make effective use of personnel who are presently not performing to capacity.

**27. Install an adequate automated data processing system.**

Currently, this office has made only tentative steps toward implementation of automated data processing (ADP). Evaluation of multiple bids as well as vendor and agency mailing lists are now being computerized. However, the most important steps are not underway. For example, the dollar value of purchases of any particular commodity is presently estimated, and purchases are made under an indefinite-quantity term contract. Quantity price breaks and location requirements are not taken into consideration. All requisitioning agencies must then pay the same price whether they buy one or 10,000 items. This inflates the overall price and does not give the requisitioners locational advantages. An ADP system could provide the purchaser with total dollars required by commodity for any selected period of time. Vendors could then be provided with accurate information on volumes, delivery destinations, and dates of delivery. This would encourage lower bids.

An adequate ADP system should be installed. At this time, no recommendation is made for a sophisticated terminal network, except for the Highway Commission. However, the Office of Purchase and Contract should continue to expand and computerize its present data-gathering program, particularly in regard to total purchases.

The Highway Commission carries approximately \$3-million in inventory and spends approximately \$56-million annually. As a result, the commission could justify a system which would:

- ▶ Develop requisitions for repetitive materials based on past usages, vendor ratings, and prices.
- ▶ Establish contract purchase programs and prepare blanket order releases automatically by computer as stock needs replenishing.
- ▶ Follow the progress of orders and report their status.
- ▶ Audit invoices.
- ▶ Compare prices against orders and approve invoices for payment.
- ▶ Evaluate vendors based on their past performance in terms of service, product quality, and price, as well as summarize purchasing activity



to provide management with facts to evaluate purchasing performance.

- Tighten inventory control by using the system to give location and quantity of materials. Inventories could also be concentrated.

Other agencies and institutions should forward information to Purchase and Contract by commodity and stock number. This would enable purchasing agents, with the help of the computer, to analyze economic order quantities, inventory carrying costs, and lead times, as well as minimize obsolescence. Current manually prepared inventory reports include satisfactory information on turnover volume. However, detail analysis of commodity turnover should also be performed. Little-used commodities could then be removed from inventory and purchased on an as-needed basis.

Computer facilities are available to meet all requirements of the office. At present, it should suffice to obtain ADP reports on volume of purchases by commodity, agency, and vendor, as well as suppliers' prices, service, and quality. Reports should also summarize purchase activity in regard to volume of transactions and speed of processing; evaluate multiple bids and contract computerization; and provide inventory management for all clients. In the future, ADP systems similar to that recommended for the Highway Commission should be applied to agencies, institutions, community colleges, and local boards of education. This measure should coincide with growth and additional needs.

The proposed ADP system would relieve purchasers of excessive paperwork and allow them to concentrate on negotiation and inventory control. This would result in cost reduction. Additional advantages would include increased management and functional control, as well as more operational flexibility. The experience of private companies with similar systems indicates substantial annual savings should be achieved, but due to uncertainties, none are claimed.

#### **28. Change the law requiring bids to be advertised in newspapers for 10 days.**

At present, all purchases in excess of \$2,500 must be advertised in a newspaper of statewide circulation. This law was enacted in 1931 to ensure solicitation of competitive bids. The procedure is obsolete and cumbersome.

If the office is realigned according to commodities, as suggested earlier, each purchaser will have adequate knowledge of vendors. No more than three to four bids need be sought on any product, and reputable vendors will reply promptly and be more competitive. The entire vendor master file should be purged, and those vendors who do not reply

immediately should be removed. These procedures, along with negotiating the first buy, will save the time of clerks and supervisors as well as provide faster service for customers. Advertising should also be discontinued to provide annual savings of \$3,900, based on fiscal 1972 data.

#### **29. Change the procedure for awarding purchase orders and contracts exceeding \$2,500.**

Currently, representatives from the Advisory Budget Commission meet weekly with the State Purchasing Officer to award contracts in excess of \$2,500. However, members of this commission are not sufficiently familiar with purchasing techniques or rapidly changing economic conditions which may affect commodities purchased. Much time is expended in developing and typing forms for review of awards, as well as in supervisors' appearances before the commission.

Reports of expenditures should be computerized and given monthly to the Advisory Budget Commission by the State Purchasing Officer. Term contracts should be reviewed and signed by the State Purchasing Officer only. All other orders under \$50,000 should be signed by purchasing managers, not rubber stamped by a clerk. Orders which exceed \$50,000 should be signed by the State Purchasing Officer. Savings are undetermined but a smoother flow of paperwork and faster order placement would result.

#### **30. Reduce the number of administrative and clerical personnel.**

Other recommendations propose realigning the office, having all agencies write their own purchase orders, and establishing a self-service store for office supplies. Implementation of these suggestions will reduce personnel requirements by 15 positions and provide annual savings of \$113,200.

#### **31. Instruct all agencies, institutions, community colleges, and local boards of education to utilize blanket orders.**

Agencies have voiced strong complaints about the requirement for placing small orders through Purchase and Contract. Actually, the revised purchasing manual does not explicitly forbid using petty cash funds. This has been clarified by an addendum to the manual, indicating agencies should use good judgment in setting up such funds. However, agencies should use blanket orders for items purchased against term contracts. These could be placed with the designated vendor, release numbers assigned, and payment made against each release number. A system of this type would relieve the small-order problem for all units, minimize the need for large petty cash funds, and expedite purchase and delivery. Most vendors favor blanket orders because they eliminate paperwork and give some idea of total volume. Purchase and Contract should im-

mediately advise all agencies to use this procedure as well as call their attention to the addendum regarding petty cash.

### **32. Organize and enforce a program of inventory management.**

The office has no system of inventory management for agencies other than the State Highway Commission. As a result, quantities of operating supplies on hand are frequently either excessive or insufficient. Field purchasing managers need training in inventory management. Inventory data should be submitted each month to Purchase and Contract for review and correction. Economic order quantities should be established for each commodity, and orders should be based on this analysis. Savings have not been determined.

### **33. Relocate the state surplus distribution center to provide additional space.**

State surplus sales recovered \$7-million in 1972. The operation is well-managed, but efficiency could be improved if additional space and display facilities could be provided. The entire unit is now placed on two acres of property with only 20,000 square feet of display area. Customers from many areas of the state visit this location to submit bids on used state automobiles, office machines, furniture, and various other items. Automobiles are parked close together and office furniture is stacked, hindering inspection by the customer. In addition, the display warehouse is not heated.

An additional four acres of property and a display building of about 50,000 square feet with heat and improved lighting should be provided. Relocation and construction of a new building would be necessary, due to limitations of the present site. State-owned property could be used to eliminate the purchase of land. The estimated cost of construction would be \$500,000. Returns on this investment would include greater efficiency in the distribution of surplus property and greater recoveries to agencies owning the surplus.

## **Office of State Planning**

This office collects, analyzes, and disseminates information on matters affecting the economy of the state to assist agencies in the preparation of short- and long-range programs. It also administers programs not readily assignable to other state agencies and performs special tasks assigned by the Secretary of Administration.

The office has 113 budgeted positions, with 65 in the central office and the remainder in regional offices. Operating expenses budgeted for fiscal 1973 totaled \$3.84-million, of which \$2.63-million were federal funds.

The office consists of three divisions: Policy Planning and Coordination, Information and Analysis, and Contracts Management. These are subdivided into eight sections, in addition to an administrative unit. The sections and their respective responsibilities are as follows:

- ▶ Regional Programs provides technical assistance including workshops and seminars to multi-county planning regions, negotiates contracts with the regional agencies, and periodically monitors their progress.
- ▶ State Programs and Evaluation supplies information, analysis, and methods for planning and budgeting state government programs.
- ▶ Natural Resources conducts research and analysis for the formulation of state and regional goals, policies, and plans for proper use of the state's natural and environmental resources.
- ▶ Health and Human Services develops state and regional policy pertaining to health and human services, including location of facilities and manpower, constraint of health care costs, coordinating program and project development, as well as establishing regional comprehensive health planning agencies.
- ▶ Transportation System sustains a multi-modal transportation planning process to ensure balance between provision of services, consumption of resources, and accomplishment of other state goals. Utilities Services plans the state's public utility and physical development needs.
- ▶ Economic Analysis provides analysis, statistical data, and alternative courses of action to support the planning of this office and other state and local agencies.
- ▶ Planning Research Services maintains a staff pool competent to provide all planning sections with adequate in-house staff.

Very little use is made of a large part of the staff's planning capability, and many agencies do not seek assistance from the office. Project expenditures totaling \$809,000 in fiscal 1972 were contracted with outside consultants and local governments, in part because several key staff positions were vacant. Several of these projects could have been completed in-house through better utilization of current staff.

## **RECOMMENDATIONS**

### **34. Improve efficiency by filling vacant positions.**

Both division head positions and a section head position are vacant in the Policy Planning and Coordination Division and the Information and Analysis Division. Consequent lack of supervision and leadership has contributed to the overall inefficiency



of the office. As a result, some projects are contracted with outside consultants which should be done in-house. Filling these key positions will improve capability and efficiency and require less outside assistance. Projects completed by consultants in fiscal 1972 totaled about \$200,000. Review of this work has indicated annual savings of \$150,000 could be achieved through better utilization of the state planning staff and other state personnel.

### **35. Eliminate the Regional Programs Section.**

The primary function of this section is administration of a federal program for 11 non-metropolitan regional planning districts. Its basic duties involve review and correspondence pertaining to documents submitted by these districts to ascertain compliance with state and federal guidelines before reimbursement is made. These duties should be performed by the Contracts Management Division without increasing current staff. Subsequent elimination of the two positions in Regional Programs would yield annual savings of \$36,000.

### **36. Develop and implement procedures for staff review of those projects completed by outside consultants.**

Staff review of projects performed by outside consultants will provide continuing exposure to the current ideas and techniques of other planners. Such reviews would also provide a valuable critique of consultants' work and should greatly assist management in the selection of outside advisors for future projects.

### **37. Forward invoices to the federal government for reimbursement monthly.**

At present, invoices are submitted quarterly for the first three quarters of the fiscal year. However, federal guidelines permit reimbursement on a monthly basis, and this schedule should be adopted. Since quarterly billings average \$30,000, monthly billings would result in additional annual income of about \$500, assuming an interest rate of 6%.

## **Office of Management Systems**

This office is intended to be a systems study and development organization for the entire state government. Its operations cover both manual and mechanized systems, procedures, and planning. The office is divided into three sections — Internal Management, Systems Planning and Coordination, and Automated Data Processing.

Internal Management was designed to be both a manual systems and procedures group and a management consulting unit. Its present activities emphasize streamlining recordkeeping techniques and reducing paper reproduction costs. The Planning and Coordination Section's responsibility is to de-

fine overall objectives and data processing plans for the entire state government; provide services to support these goals, such as publishing a catalog of generalized utility systems; and encourage efficient use of computer output by producing training manuals for some users. The Administration Computer Center's director supervises three subsections: Systems Design, Analysis, and Maintenance; Programming; and Operations.

The Office of Management Systems is not fully performing its mission. User service is not adequately stressed, and the lack of sound management weakens the service. Duties are not clearly assigned and performance is not properly evaluated. Subordinate managers are bypassed in making assignments. Supervisors are not sufficiently aware of employees' capabilities and aspirations. The Internal Management Section suffers from lack of direction and motivation, as its immediate manager is not given enough authority. Some worthwhile programs are being developed in this section by a few independently motivated individuals. The Planning and Coordination Section, currently without a leader, has little influence on coordination of statewide data processing or on any center's operations.

Operations of the Administration Computer Center are more technically than administratively oriented. Relations with users are not good. Computer operations suffer from lack of space, compounded by poor utilization of available space, inefficient storage habits, and inadequate cleaning. Some personnel at the center lack technical expertise necessary to take full advantage of recent hardware and software developments.

## **RECOMMENDATIONS**

### **38. Improve data processing services to state general government through a phased plan of redirecting management and coordinating use of equipment and personnel.**

There are seven major computer centers in state general government. They operate independently at a combined cost of \$7.8-million. Uncoordinated use of these automated data processing (ADP) resources restricts efforts to improve cost effective services. Lack of high-level management communication between state agencies results in underutilization of ADP personnel and equipment; duplication of efforts in systems design, programming, and training; and difficulty in integrating systems. Other problems include a lack of career opportunities for ADP employees; the hiring, training, and managing of ADP personnel by agencies whose primary functions are unrelated to data processing; and competition between agencies for good personnel.

Communications between agencies regarding needs, resource availability, and priorities should be per-

formed by an interdepartmental management advisory council. The Office of Management Systems should be given authority to coordinate and control available resources to meet ADP needs as established by the advisory council. Before the office assumes this enlarged role, however, the internal management problems specified in the evaluation must be corrected. Subsequently, the following phased plan to redirect management should be initiated.

The object of Phase I would be to strengthen control and improve service to users within the existing structure, which is depicted in the chart on this page. Responsibilities should be defined for each position, particularly for those which market the services of the Administration Computer Center. Unnecessary lines of authority (as shown by the dashed lines in the chart) should be eliminated, particularly those unintended contacts between the director of the office and the systems personnel and those between the computer center director and the systems analysts and shift supervisors.

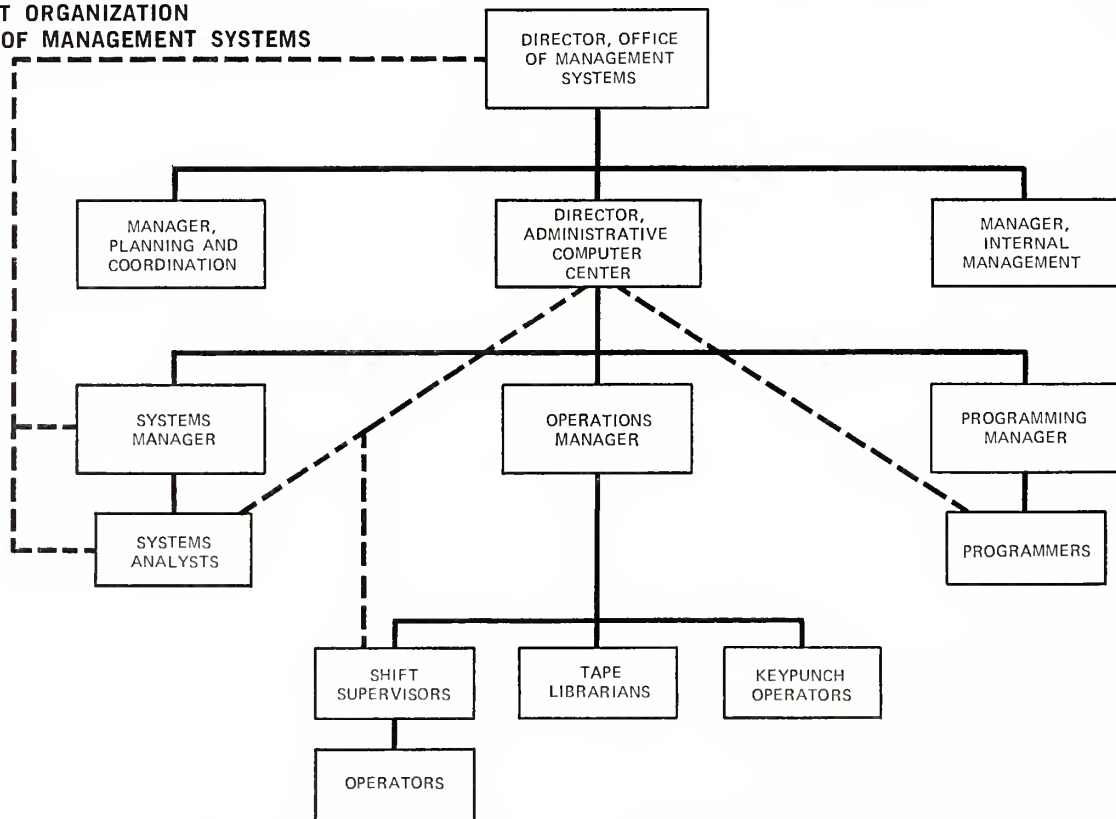
Phase I should continue until management demonstrates improved organization and service to users. If problems defined in the evaluation cannot be corrected with existing personnel, consideration should be given to securing capable data processing

employees from other departments. The time required for this phase would be approximately 6 months. A judgment on the ability of the office to expand its services would be made by the secretary of the department, based on the recommendation of the interdepartmental advisory group.

Phase II would involve evaluation and reorganization of all ADP systems and programming personnel in state general government. The evaluation would determine most effective placement of personnel in a restructured Office of Management Systems. All systems development and program maintenance should be centralized. Systems and programming personnel should be formed into an independent marketing group reporting to the director through the systems manager. Project teams should be formed which would be separate from any computer operations center and staffed to best serve users and functions. Some teams would require personnel with specialized experience.

Consolidation would make increased utilization of personnel possible. Duplications of effort could be identified and eliminated. ADP career paths would be created. Agencies could concentrate on their programs exclusively and would no longer compete for personnel. A plan for an integrated ADP

#### PRESENT ORGANIZATION OFFICE OF MANAGEMENT SYSTEMS



system could also be developed. The proposed organization chart is illustrated directly below. Realignment of Internal Management is covered in another recommendation.

Managing available resources and coordinating ADP efforts would be a function of the Office Director, Operations Director, Systems Manager, and Manager of Software. The Operations Director should become knowledgeable about the operations of all centers during this phase. The Systems Manager would be responsible for coordinating feasibility studies of new systems. During program development, the user's contact would be a project manager. The computer center manager would be his contact for coordinating production runs and discussing schedules. Phase II will terminate when personnel transfers are complete and the teams of systems analysts and programmers are functioning. This should take from 6 months to a year.

Phase III would complete the restructuring of the office through the following steps:

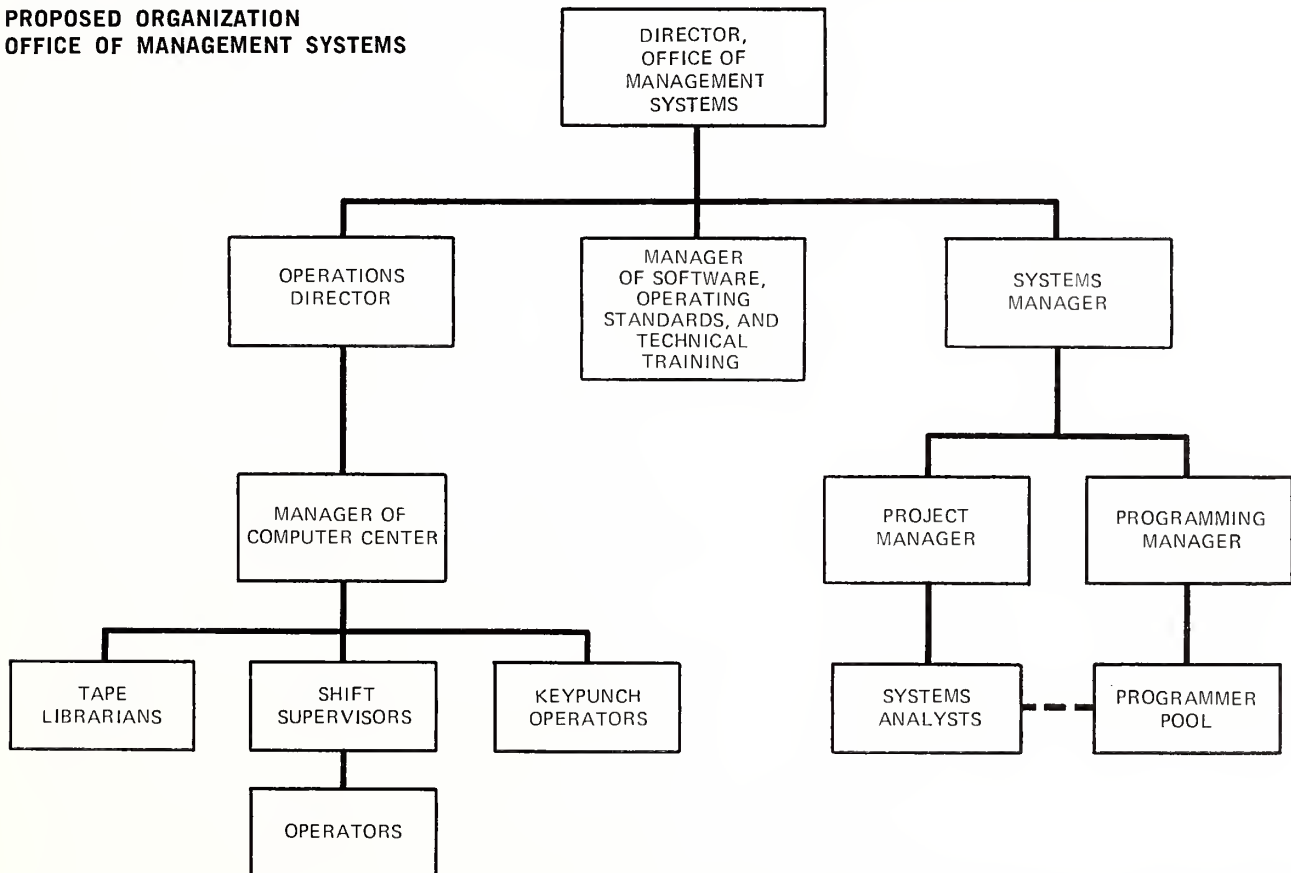
- Consolidate management of state general government computer centers under the Operations Director.

- Implement common operating standards in all centers.
- Evaluate the utilization of each of the centers to determine whether relocation of computer production work would allow reduction of equipment, or new applications would justify extra hardware.
- Develop and implement a plan which would provide smooth evolution to compatible back-up hardware.

The network established would improve overall access of users to the most effective equipment for their jobs. This phase might require a year or more. However, it would provide increased utilization of equipment and critical computer backup at no additional expense. Improved service would result from a better working relationship between project managers and data processing coordinators. The strengthened organization would provide savings as state ADP requirements increase. Based on current expenditures and projected growth, these could amount to \$2-million per year in identifiable personnel, equipment rental, maintenance, and equipment purchase costs.

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#### PROPOSED ORGANIZATION OFFICE OF MANAGEMENT SYSTEMS





### **39. Improve operations in the Administration Computer Center.**

Space for equipment and housecleaning in the center are currently inadequate. The lack of space impairs hardware servicing and access of carts to the card readers and printers. Computer operators cannot line up the next available load until the floor has been cleared from the job at hand, thus decreasing computer utilization. Insufficient space is available to store paper supplies near the equipment room, and the storage area is not located near the loading dock. Because the equipment room has immovable boundaries on three sides, additional space could only be obtained by relocating either the Internal Management Section or the equipment room.

In addition, the center operates on a three-shift, 120-hour-per-week schedule. Although this is three times the usage of most other areas, the equipment room does not get a proportional increase in cleaning service. The cleaning problem is compounded by the crowded conditions, the volume of paper supplies processed, traffic in the area, and the quality of the floor covering.

General Services should be instructed to remove trash twice daily, vacuum once each day, damp mop twice a week, spray-buff the floor once a week, as well as dust equipment, tables, and shelf surfaces as needed. Metal cans should be provided in the equipment room, since accumulating trash in cardboard boxes and plastic containers constitutes a fire hazard. A master switch to turn off all equipment should be located near an exit door. Fire doors should be installed to improve fire security. These changes would indirectly improve service to users.

In addition, sound and well-documented standards should be established to benefit users directly. Implementation of the Agency Computer Run Request Documentation should be required of all center users. A means of better accountability for work projects needs to be established. The user should be able to identify and locate problems in systems analysis, programming, or operations, and someone in the center should be able to help solve these problems and prevent their recurrence. Changes in operations should be anticipated and plans should be made in advance for transitions required. Plans should include comprehensive training of personnel, especially in critical areas such as operating systems and teleprocessing.

### **Office of State Personnel**

The primary function of this office is to provide a comprehensive personnel management program for state government. The office has 100 employees at three locations in Raleigh. Its fiscal 1973 budget

consisted of \$1.13-million in state and \$286,800 in federal funds. Activities are grouped under the following major divisions.

Position Management is responsible for designing jobs, as well as maintaining and improving the position classification plan. It also provides staff consulting and training services, and administers a merit system program.

Policy Administration reviews every personnel action for compliance with standards; maintains and distributes a general personnel manual, as well as employee and salary-range books; keeps central records; and provides statistical data on the work force. Also, it administers the Intergovernmental Personnel Act and performs certain internal duties.

Employee Relations develops new programs and policies designed to improve employee-employer and supervisor-worker relationships. Such activities include establishing grievance procedures; ensuring compliance with the Fair Labor Standards Act and Affirmative Action Program; implementing the Unemployment Compensation Law; conducting economic and labor market analysis; and producing various publications and communications.

Management and Manpower Development assists in determining training needs and providing training seminars. It helps management to evaluate an employee's potential and aids in creating an overall climate conducive to employee development.

Services are performed for local governments in all divisions. Approximately 6,000 local employees fall under the merit system.

Personnel activities are carried on within various agencies as a line function. This office provides staff support and general control. The staff appears able, but no structural mechanism exists to promote adequate use of its services. Most internal inefficiencies which surround the processing of applications and personnel-action forms should be eliminated by completion of a computerized employee information system early in 1974. The office is usually called into a situation after a problem has occurred, and then only if the agencies involved think it might be able to help. Consequently, establishment of a smooth-running personnel system is impossible.

### **RECOMMENDATIONS**

- 40. Establish a personnel unit in each of the 17 state departments reporting to the department administrator with functional responsibility to the Office of State Personnel.**

North Carolina spends over 50% of its budget on salaries and related expenses. This investment makes it imperative state employees feel themselves a part



of the total government program. Without uniformly applied policies and procedures, employees tend to believe their interests are being neglected. Decreased morale and productivity result.

Personnel functions should be established at the department level. Each section would be staffed by a professional industrial relations specialist with direct responsibility to both the Office of State Personnel and the department administrator. The specialists would develop any supporting staff required. This step would facilitate a two-way flow of information as well as uniform application of personnel policies and procedures throughout the system. Also, many of the present day-to-day functions of the state office could be delegated to the departments.

To be responsive to the needs of each department, the personnel activity should be a line function. The state office would provide staff services and support, plus policy-making and control functions to keep the system equitable and workable. The benefits, while not immediately measurable in dollars, include more effective use of manpower, improved morale, increased productivity, and better compliance with federal employment laws.

**41. Make department personnel sections responsible for job classification, subject to final approval by the Office of State Personnel.**

Under the current system, job classification is performed largely at top levels of government. Time loss and misunderstandings are the results. If personnel functions are extended throughout state government, the office could train line employees in classification activities. Elimination of routine work at the office level would free analysts to make broader studies of needs. Other benefits would include faster action on classification needs, increased staff services, constant review of the overall system, and elimination of needs for additional staff as state government expands.

**42. Revise the present method of compensating state employees.**

For the past several years, state employees have received a 5% annual cost-of-living increase from the legislature. In addition, there are six increments in each classification, plus a merit raise program. These are all automatic raises which have no relationship to performance.

The legislative increase should be the only automatic raise provided. The six increments should be abolished, and all other raises should be tied to a system of evaluating employees' performance and comparative worth. Merit increases would be managed within each department on the basis of a controlled percentage to be established annually. Increases would range from 3% to 10%. Raises could be

granted at any time, but would be intended as annual. All employees should have an annual discussion with a supervisor about their performance and compensation.

**43. Establish geographic wage differentials for hourly and nonexempt jobs.**

Local labor market conditions have a major bearing on the ability to fill jobs. At present, managers are not allowed the flexibility in wage negotiations needed to meet existing conditions and compete for scarce labor. Conversely, in some areas overpaying occurs in a number of job categories. Geographic wage differentials should be established for hourly and nonexempt jobs. This would make the state government more competitive in all labor markets.

**44. Abolish the office's interviewing role in favor of consulting.**

Decentralizing personnel functions, as recommended, together with the pending computerization of applicant information will make the traditional interviewing functions of the office unnecessary. However, advisory service should still be provided to direct applicants to departments and agencies most likely to need their talents. This activity would involve no increase in present staff and would prevent applicants wasting time with agencies which have no employment available.

**45. Delete automatically any job which remains vacant for 90 days.**

In February 1973, about 3,000 of a total 4,600 job vacancies had existed for over 90 days. Most of these were part of budget and were simply carried over from the previous year without being rejustified. The vast majority were not intended to be filled. The accumulated monies amount to a contingency fund for various agencies and departments. This practice causes both budget and manpower needs to be overstated.

Therefore, all departmental budget positions vacant for 90 days should be eliminated. To protect jobs which are necessary but difficult to fill, vacancies would be held in a special reserve for an additional 90 days. Jobs could be returned to active status when justification and a qualified applicant are presented. After the grace period, vacant positions would be abolished and budgeted monies returned to the general fund.

**46. Revise the existing vacation policy.**

Currently, a state employee receives a 3-week vacation regardless of length of employment. A graduated scale, beginning with a week after 6 months, would be more equitable and comparable to typical business practice.

Also, the present system allows 3 weeks' accrued vacation pay to an employee who leaves prior to a

year of service. This payment should be eliminated or reduced to only a week's salary. About 40% of those employees who resigned in 1972 were employed less than a year. If they had been paid as proposed, the state would have saved \$572,000.

#### **47. Revise the present sick-leave program.**

Currently, every state employee is permitted 10 days of sick leave per year. This leave accrues from year to year. Since 80% of the sick days are taken each year, such leave amounts to an additional 10 days off per year for a majority of state employees. A program providing no accrual, but coupled with a long-term disability plan, should be adopted. This would provide coverage for legitimate illnesses, based on length of service, and reduce unnecessary lost time.

#### **48. Establish a compulsory retirement system.**

Under the present system, any employee may continue to work after age 65 on request of his agency head. This policy reduces opportunities for younger state employees. A uniform policy of retirement at age 65 should be established by law to provide incentives to greater productivity and professional development for ambitious, younger employees. This change will also enable the state to predict future manpower needs with greater accuracy.

#### **49. Give the Office of State Personnel responsibility for making recommendations on fringe benefits.**

Fringe benefits contribute to the security of an employee and his family, as well as act as a motivator. However, activities such as the retirement program tend to become separate operations and forget they are part of an overall benefit program for state employees. Responsibility for making recommendations regarding these activities should be given to the Office of State Personnel. Emphasis will then be placed on the employee, not the activity.

#### **50. Adopt a clear and definite policy to determine exemptions from the Personnel Act.**

The law setting up the Office of Personnel indicates certain categories of people who are exempt from the Personnel Act (EPA). In practice, liberal interpretations are being made and employees are being reclassified exempt when, in fact, they are performing a job which is clearly subject to the Personnel Act (SPA). In higher education, for example, approximately 340 employees are classified EPA even though they are not involved in teaching or research. Such practice creates higher salary levels for EPA positions with duties similar to SPA jobs. It also constitutes non-uniform treatment under the Equal Pay Act and, in general, is a poor employee relations practice.

Present positions incorrectly classified EPA should be reclassified SPA. The jobs in higher education are

estimated to be overcompensated by an annual average of \$1,000 or more. However, no savings are claimed.

## **Office of General Services**

This office performs several general support functions in the Raleigh area. It provides cleaning and janitorial service for public buildings and grounds, repairs and maintains all public buildings and equipment, and supplies necessary security police and night watchmen. Additionally, it operates a central mailing system, a messenger service, and a motor pool for the use of state agencies. The office also manages a central telephone network, mimeographing and duplicating services, stenographic and clerical pools, as well as an information service for visitors to the capital.

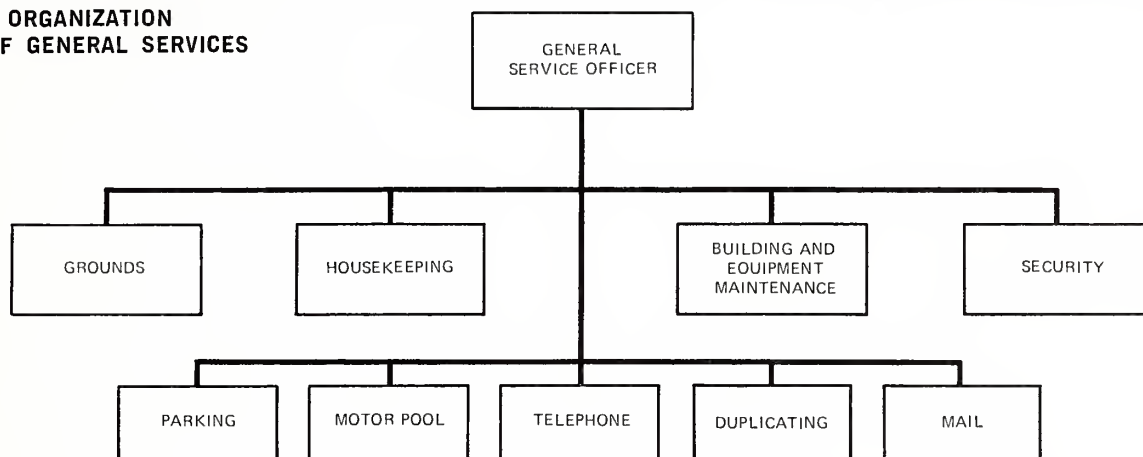
General Services operates from a fiscal 1973 budget of \$5.9-million and its five sections employ 355 people. The sections perform housekeeping, security, building and equipment maintenance, grounds maintenance, and auxiliary services. The Housekeeping Section has the largest staff, with 193 people, including a director and 3 supervisors. It provides janitorial service for all public buildings in the Raleigh area. The Security Section is charged with maintaining security of all public buildings and grounds. Most of its 33 uniformed officers have received regular police training, and the force has power of arrest within the City of Raleigh.

Building and Equipment Maintenance is responsible for maintaining all state-owned buildings and furnishings. It is divided into three trade groups, the largest of which has responsibility for electrical, air conditioning, heating, and plumbing service. The other two cover painting and carpentry needs. Grounds Maintenance has primary responsibility for maintenance and beautification of all state-owned grounds.

Other functions of the office are included in an auxiliary service section. The heads of each unit in this area report directly to the General Services Officer. Its largest unit is the Motor Pool, which manages the procurement, use, maintenance, and disposal of more than 900 state-owned vehicles. Auxiliary services also include a copying operation, a courier mail service providing daily service to 12 cities within the state, a telephone network, and 49 parking lots. Auxiliary services account for about 56% of the total office budget.

In the present organizational structure, as shown in the chart, above right, too many functional sections report directly to the General Services Officer, rather than through supervisors. Also, messenger, mail, and copying functions are duplicated in other

**PRESENT ORGANIZATION  
OFFICE OF GENERAL SERVICES**



agencies because of present limited service. Functions such as office supply, cafeterias, and forms control are lacking. Because of the scope of recommendations dealing with the Motor Pool, it is dealt with in a separate section.

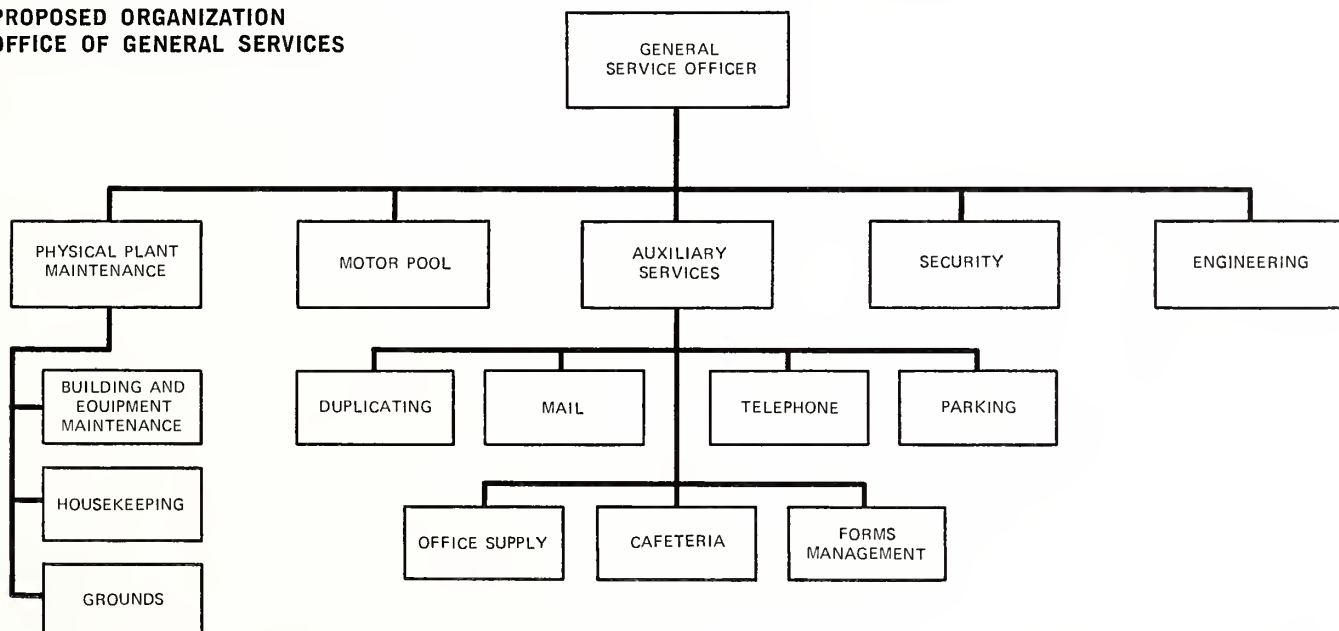
**RECOMMENDATIONS**

**51. Reorganize the office.**

Several areas of the office should be reorganized, as depicted in the chart just below, to improve control and services, as well as eliminate duplications. All groups responsible for property maintenance should be consolidated into one physical plant section, which would have overall responsibility for

housekeeping, or janitorial service, as well as maintenance of all state-owned buildings and grounds. Operating these units under one supervisor would facilitate transfer of unskilled personnel according to work load demands. All auxiliary services, except the Central Motor Pool, should also be grouped under one supervisor for the same reasons. Units for office supply, cafeterias, and forms management should be added. In addition, a staff engineer should be hired. An experienced engineer, having both industrial and plant engineering background, could make invaluable contributions in areas of efficiency studies, installation of janitorial work standards, space utilization, maintenance procedures, and the

**PROPOSED ORGANIZATION  
OFFICE OF GENERAL SERVICES**





like. He could also consider and recommend expansion or deletion of new or existing services. These supervisors and the engineer would be set up in a staff capacity, accountable to the General Services Officer.

Furthermore, all presently scattered units of the office should be consolidated into one physical area at the earliest opportunity. This will lead to greater efficiency through improved communication between sections. No direct savings or cost can be attributed to the organizational changes.

**52. Establish a service crew system for providing maintenance.**

The maintenance group tends to permanently assign personnel to specific buildings to eliminate travel. However, underutilization of employees often results.

The maintenance team should be reorganized to travel efficiently, thereby eliminating permanent assignments. Crews should be established, with a lead man in each field crew to ensure necessary leadership and ability to work efficiently without direct supervision. The total force should also be split into two basic operations. The first, headed by a field supervisor, would deal with all trouble calls channeled into a central maintenance shop. A dispatcher permanently assigned to the shop would take incoming trouble calls and contact the field supervisor by telephone or mobile radio to report the location of the problem. The supervisor would investigate and call for the personnel needed. The locations of all crews would be known to the field supervisor at all times. Specialty crews would operate from trucks which, in most cases, would carry the equipment and materials necessary to make quick repairs. Data on the history of breakdowns should be collected and analyzed, so preventive maintenance can be applied. Such maintenance would reduce trouble calls and occupy the crews between calls. This system would be administered from the central shop by the dispatcher, along with recordkeeping and material requisitioning.

The second major element of the system would be the stationary shop crew. This force, headed by a maintenance supervisor, would perform all construction and repairs which could take place in one central location, including wood and metal fabrication, equipment repair, machine work, and welding.

Currently, the addition of 11 men to the maintenance force has been requested. If the above suggestions are adopted, these men would not be needed. Based on elimination of the current request and not filling present vacancies, a cost avoidance estimated at \$103,000 per year could be achieved. This includes the cost of providing two service trucks and required equipment.

**53. Establish a maintenance training program.**

At present, no formal training prerequisite is required for skilled positions. Hiring and classification are based on previous experience and interviewing. This is, at best, a marginal method of acquiring skilled personnel.

A maintenance training program should be initiated and coordinated with local schools offering technical courses. Commercially available self-teaching programmed instruction courses might also be used. Such a program would upgrade skills as well as improve employee morale, since the graduated trainees would feel a greater sense of accomplishment and competency. Employees would be hired at a trainee level and periodically upgraded in proportion to on-the-job and academic progress. Completion of formal training would be a prerequisite for advancement into the skilled classifications. No additional costs would be required since the program would utilize local school facilities and present administrative personnel.

**54. Establish a preventive maintenance system to reduce breakdowns.**

At present, maintenance personnel respond to building and equipment failure only after it has occurred. Preventive maintenance procedures should be established to prevent failure of air conditioning and ventilation equipment, pumps, electrical panels, motors, steam traps, and plumbing fixtures. Reducing breakdowns would save man-hours as well as allow more orderly planning and balancing of work level. To establish a preventive system, it would first be necessary to set procedures for collecting historical maintenance data. An analysis of these data should indicate steps to be taken to end recurring breakdowns. Necessary paperwork could be handled by a clerk or dispatcher. No added cost would be required for implementation.

**55. Establish a central duplicating center.**

Each state agency currently sets up its own duplicating operation. This has resulted in much redundancy of personnel and equipment. According to a survey, at least 16 duplicating centers are operated by 83 employees in downtown Raleigh. These centers process about 114-million copies annually with 59 machines and occupy a combined area of over 20,000 square feet. Salaries of personnel involved total over \$586,000 annually.

In the interest of efficiency and economy, a central duplicating center should be established to serve government in the downtown complex. Consolidation of personnel and equipment would provide service at least equal to the present. An adequate number of copy and duplicating machines would continue to be maintained in satellite centers in each building for use in short-run, quick copying. Volume

guidelines would be established to instruct all agencies on whether to use local or central equipment. A pickup and delivery service should be established to minimize inconvenience to each agency. The proposed system could operate with a staff of 60 and 41 duplicating machines. Savings from reduction of personnel and equipment are estimated at \$315,000 annually. Further benefits include reduction in work now done commercially, increased floor space, and additional savings through bulk purchasing of equipment and supplies.

**56. Reduce the number of mail rooms in the Administration and Albemarle Buildings.**

At present, there are three mail rooms in the Administration Building and five in the Albemarle Building, with a total staff of 19. These mail rooms should be consolidated, leaving one in each building to serve all agencies. A staff reduction of nine should thus be achieved and yearly savings of \$56,700 realized. An additional \$6,300 could be conserved by not filling a mail clerk vacancy.

**57. Extend the courier mail service to serve 64 cities.**

The present courier mail service covers 12 cities by two regular routes. Outgoing courier mail is being charged 75% of U. S. rates. Incoming mail is charged to some agencies with heavy volume at \$0.75 per pound. Agencies with small volume are not charged for incoming service. Courier service should be extended to include 64 cities. Additional savings through elimination of present U. S. postage would result, along with overnight service to more cities. Savings should offset any added costs.

**58. Consolidate the messenger and courier services into one operation.**

Separate agencies now operate their own messenger services. Seven agencies have 24 people handling interoffice mail, as well as other duties.

The present messenger and courier services should be combined under this office. The proposed operation could be staffed by the four messengers now in the office and would offer two pickups and deliveries per day to all agencies. Two messengers could work early in the day, and the other two could work late. They could then sort incoming courier mail and deliver it along with interoffice correspondence. The late-duty messengers would also make pickups and deliveries, as well as prepare outgoing courier mail. U. S. mail would be delivered and picked up directly from mail rooms by federal personnel. Zip codes could be assigned to individual agency mail rooms.

Consolidation would eliminate the need for messengers at individual agencies. A reduction in work force of about 12 positions could be achieved for savings of \$75,000 per year. Extension of the mes-

senger service to North Carolina State University, which presently is served by the U.S. mail system, would result in further savings of postage.

**59. Establish a central post office in the planned government complex.**

Lack of a centrally-located postal facility currently requires travel to perform mailing functions. These man-hours could be spent more profitably on internal operation of respective agencies if a central post office were established in the planned government complex. By establishing a contract operation with the U. S. Postal Service, the state could fully supervise postal, courier, and messenger service in this area. An information and lobby sales center could also be placed in the complex.

Mail for major agencies in Raleigh would be delivered and picked up directly from agencies by the U. S. Postal Service. Mail for smaller agencies could be delivered to the Capitol Station and either picked up by agencies within walking distance or delivered by an internal messenger service centered at the station. Outgoing mail for agencies with small volume would be handled by the messenger service.

**60. Reorganize the Housekeeping Section to provide better service at lower cost.**

The present Housekeeping Section is organized into four separate groups with four different starting times. Three of these operate during the day, while one operates at night. There are two day supervisors and one at night. Efficiency is relatively low.

All shifts should work during the day, with only two starting times. One shift would perform basic cleaning work from 4:00 a.m. to 1:00 p.m. The second crew, working from 8:30 a.m. to 5:30 p.m., would maintain restroom cleanliness and complete other jobs which can be done during the normal work day. Also, the present practice of using housekeeping personnel to move office furniture should be discontinued. In addition to disruption of normal duties, this presents a considerable safety hazard. Instead, a specialty moving team should be set up within the Housekeeping Section. Whenever moving is required, this team should receive a written request with a description of the moving job and the time required. Implementation would allow the present staff to be reduced by eight. Proposed staffing includes the addition of a clerk and custodian. The clerk would eliminate telephone distractions to supervisors as well as promote efficiency through better record keeping. The custodian would act as a crew chief to improve supervision.

Savings, based on present salaries, are estimated at \$42,000 per year. An additional cost avoidance of \$41,500 could be realized annually through elimination of six present vacancies.



**61. Automate seven existing manual elevators in the Highway, Education, Old Health, and Revenue Buildings, and eliminate two elevator operators on automatic elevators in the Justice Building.**

These seven manual elevators each require the services of an elevator operator. All should be automated to improve efficiency and eliminate salary expense. The one-time cost of conversion would be about \$126,000. Elimination of the seven operators' positions, along with two more who currently run automatic elevators in the Justice Building, would yield annual savings of \$45,000.

**62. Include plans for a state-owned cafeteria in the proposed government center.**

There are few places within walking distance of state offices where state employees can buy and eat their lunch. Approximately 12,000 state employees presently work in the downtown Raleigh area. At lunchtime, they must carry their lunch, eat at a snack bar, or drive to a suitable eating place. In the latter case, it is unlikely they can walk to their cars, drive to a restaurant, park, eat, drive back, park, and return to their work station in the allowed hour or less.

A suitable cafeteria should be included in the planned government center, located to require minimum walking for all center personnel. It should be designed to handle large surges of business. A staggered lunch-hour schedule would help accommodate large numbers of people. The state could run the cafeteria at no profit, and offer low lunch prices, or the operation could be contracted to a private vending service. No saving is claimed, although the potential benefit from the recovery of lost time is great.

**63. Organize a Forms Management Center.**

There is presently no means of controlling or limiting the number of types of forms used in state government. Each agency designs or develops its own forms as the need arises. A great amount of duplication probably exists.

A Forms Management Center should be established within the Office of General Services to control the use of forms. Possibilities for standardization include the areas of budgeting, letterheads, data processing, checks, invoices, purchase requisitions, duplicating requests; and many others. All forms should be initially reviewed to determine the most simple types and lowest number required to serve all agencies. After the initial complement is determined, the agencies should check with the center if a new form is required. New forms would be designed only if existing materials could not meet the need. No cost or saving can be determined at this time without further study.

## **Central Motor Pool**

This motor pool provides passenger vehicles for state agencies, except in the cases of employees based permanently away from Raleigh, law enforcement officers of the State Highway Patrol, as well as employees of North Carolina State University at Raleigh, the State School for the Blind and Deaf, and Dorothea Dix Hospital. In addition, the pool is responsible for proper care, maintenance, and disposal of vehicles under its jurisdiction.

The motor pool is part of the Office of General Services and has 32 employees, including one supervisor. Of its present inventory of 929 vehicles, 677 are on permanent assignment and 248 are available for temporary use. There are four service vehicles in the fleet. The main garage provides gasoline, oil, servicing, as well as major and minor repairs. A motor pool annex performs less extensive services. A new facility is under construction west of Raleigh at a cost of \$415,000.

Agencies are charged \$0.09 per mile, with a 1,000-mile minimum, for permanently assigned vehicles. Temporary units are billed at the same mileage rate with no minimum charge. If no state car is available, employees may use their own cars and receive reimbursement at \$0.10 per mile. All users of motor pool vehicles are instructed to obtain gasoline, oil, and minor repairs at state-owned facilities. Commercial credit cards are furnished with each vehicle for use in emergencies or when a state facility is not available. The Director of General Services depends upon the agency heads for enforcement of rules set forth in the motor pool manual.

Vehicles are operated for 3 years or 60,000 miles, whichever occurs first. Units are then turned over to the State Surplus Property Officer who sells them on the basis of sealed bids. The motor pool supervisor can accept or reject any bids. At present, units sell for approximately 40% to 50% of cost.

The staff also does all accounting for the Albermarle Duplicating Center, Emergency Helicopter Service, State Courier Service, and Administration Duplicating Service. Additionally, it bills all purchases made by operators of state vehicles at state service facilities. The motor pool, in general, is adequately organized, staffed, and equipped. The facility now under construction will allow the supervisor and office staff to locate at the site of operation, thus permitting closer supervision. Vehicles are presently assigned on either a permanent or temporary basis. However, policies have not been adopted which specify qualifications for a permanently assigned vehicle.

Permanent assignments are not reviewed on a regular basis. Temporary assignments are sometimes

requested by agencies which have permanently assigned units available. The rules and regulations set forth in motor pool manual are not properly enforced. Commuting to and from work is common, and many employees seem to feel cars are assigned as a fringe benefit.

## **RECOMMENDATIONS**

### **64. Eliminate commuting abuses.**

State vehicles were driven 18.9-million miles in fiscal 1972. Previous internal studies estimated that 10% of this mileage was for unnecessary commuting to and from work. Commuting should not be permitted unless approved by the General Services Officer under rules and regulations adopted by the Council of State. Further, rules should be adopted requiring all cars in the Raleigh area to be returned to the motor pool or a state parking lot each night. No vehicle should be kept overnight at an employee's residence without special permission from the director. Elimination of unneeded commuting would provide estimated annual savings of approximately \$113,300.

### **65. Discourage the use of credit cards to buy gasoline at commercial stations and limit the amount of such purchases.**

State vehicle users are not taking full advantage of state facilities. Many fill tanks at commercial stations when a limited amount would be sufficient. Commercial gasoline costs approximately \$0.12 more per gallon than motor pool fuel.

Credit cards should be used only in emergencies and when state facilities are not available. If a 50% reduction in commercial purchases could be achieved, the state would realize approximately \$16,000 in annual savings. However, no definite savings are claimed.

### **66. Reduce the number of dispatchers at the motor pool annex.**

Presently there are two dispatchers at the annex, one of whom will retire in the near future. One employee performs similar functions at the garage. The number of dispatchers at the annex should be reduced to one, resulting in annual savings of about \$4,800.

## **Office of State-Federal Relations**

This office is responsible for maintaining liaison with federal and local governments as well as coordination between state agencies. Assistance is provided to the Governor in establishing funding priorities and to local agencies in preparing project proposals. The office also serves as an intermediary through which other state agencies can communicate with federal authorities.

Pending federal legislation is constantly reviewed to keep the Governor and state agencies informed about new programs and their possible effects upon the state. Other functions include administration of a state clearinghouse for federal grant applications, as well as the Land and Water Conservation Program and the Environmental Education and Beautification Program. The office includes 14 positions. Its budget, \$88,000 for fiscal 1972, is supplemented by federal funds.

Liaison with federal authorities is maintained reasonably well. However, better coordination between all levels of government would benefit the citizens of the state through better utilization of available funds. Efforts to develop and administer programs overlap those of other state agencies.

## **RECOMMENDATIONS**

### **67. Transfer the Environmental Education and Beautification Program to the Department of Natural and Economic Resources.**

To begin development of this program, four additional staff members were added. Office space was leased in separate facilities at a cost of \$5,000 per year. This program should be made the responsibility of the Department of Natural and Economic Resources, which manages similar activities. The program director should also be transferred to provide continuity. Eliminating the three remaining positions and vacating office facilities utilized by Environmental Education and Beautification Program personnel will result in annual savings of \$36,000.

### **68. Combine the Office of State-Federal Relations with the Office of State Planning.**

The Office of State-Federal Relations' clearinghouse processes applications for federal grants. Applications submitted by local governments are reviewed and compared with information gathered from state agencies to ascertain that they do not conflict with state goals and policy. Four staff members, including a statistical aide and a typist are employed for this.

Similar matters are administered by the Office of State Planning, which could provide statistical and clerical personnel. Liaison efforts of the office determine to some extent the availability of federal funds necessary for social, economic, and physical development of the state. The overall plan for this development is also the responsibility of the Office of State Planning.

Therefore, these two offices should be combined under the same leadership to provide better coordination and maximize overall development of the state. Annual savings of \$45,000 could then be achieved through elimination of two staff positions, plus the statistical aide and typist.



# Department of State

The Secretary of State's office has the primary duty of maintaining certain records of state and local government actions and private commercial activity. This involves varying responsibility in reviewing documents for conformity to statute prior to filing. In addition, the department registers lobbyists, securities, and securities dealers and salesmen; commissions notaries public; and files financial statements. It is also responsible for distributing the Acts of the General Assembly as well as printing and disseminating the *North Carolina Manual*.

## CURRENT OPERATIONS

Generally, the Secretary of State administers the department with the assistance of the Deputy Secretary of State. In fiscal 1972, there were 32 employees in the department, and it had a budget of approximately \$416,000.

The department includes six divisions, as follows:

- ▶ Corporation Division grants and amends charters to domestic corporations and issues certificates of authority to foreign corporations to transact business in the state.
- ▶ Securities Division registers all securities offered or sold within the state, unless the security is entitled to exemption from registration by general statute. This division also registers securities dealers and agents and investigates possible fraudulent or prohibited practices.
- ▶ Uniform Commercial Code Division is accountable for registration of indebtedness for individuals and businesses in order to affect liens on personal property.
- ▶ Notaries Public Division processes applications and commissions notaries public.
- ▶ Publications Division publishes the *North Carolina Manual*, distributes *Session Laws of North Carolina* and journals of the General Assembly, and maintains records of original land grants.
- ▶ Board of Elections Division operates independently of the Secretary of State. Its duties include supervising primaries and elections in the state, appointing members of county boards of election, investigating reported election law violations, and conducting seminars for newly appointed county boards of election.

## EVALUATION

Overall efficiency is impaired because all sections of the department are not located in the same facility. Also, much of the work is seasonal, and

peak work loads occur at different times of the year in several divisions. Staff responsibilities, however, are generally confined to one division, even though similar clerical tasks are performed in other divisions.

## RECOMMENDATIONS

### 1. Relocate the Secretary of State and his staff in the Administration Building with other employees of the department.

Maintaining separate facilities requires two receptionist/secretaries and a temporary clerk to assist during sessions of the General Assembly. Location of the Secretary of State in the same building with his administrative staff would eliminate a full-time and a part-time employee plus provide better utilization of the secretarial and clerical staff. The estimated saving will be \$7,800 annually.

### 2. Transfer land grant records to the Office of Archives and History.

Land grants by the state were discontinued in 1959. Since that time, work in this area has been primarily of a genealogical nature — a function of the Office of Archives and History. Often all records available must be searched to provide information requested, and the two agencies must handle requests jointly.

All land grant records should, therefore, be transferred to the Office of Archives and History. With all land records in one location, requests will be answered more promptly. This will free staff time for other duties. Savings in space are considered in another recommendation.

### 3. Move the Board of Elections' staff to the Administration Building.

The Board of Elections Division maintains offices in the Raleigh Building on a lease basis which costs \$5,000 per year. This office could be located in the area of the Administration Building currently occupied by the Land Grant Section. The board would continue to operate independently of the Secretary of State, and implementation would produce a \$5,000 annual saving on leased space. In addition, the benefits of the 1971 reorganization could be better realized through more efficient administration of operations.

### 4. Increase the annual registration fee for securities dealers and salesmen.

Registration fees of \$50 for securities dealers and \$10 for salesmen have not changed since enactment of the North Carolina Securities Law in 1957, although administrative costs have more than doubled. Fees should be increased to \$75 and \$15, respectively. Since there were 295 dealers and 3,764 sales-



men registered in fiscal 1972, this change will result in an additional annual income of about \$26,200.

**5. Reduce the number of copies of Session Laws printed each biennium.**

An average of 1,780 copies of *Session Laws of North Carolina* are printed after each session of the General Assembly. Records indicate a low of 672 and a high of 919 copies in inventory for each of the last four publications. A reduction of 650 copies each biennium would leave an adequate inventory and reduce printing costs by about \$2,000 annually.

**6. Charge suspended corporations a fee of \$25 for reinstatement.**

When a corporation fails to pay income and/or franchise taxes, the Department of Revenue notifies the Secretary of State. The secretary then informs the corporation it has been suspended from doing business in the state. At present, no fee is charged to recover costs incurred for suspension and subsequent reinstatement.

A fee of \$25 should be charged for reinstatement. In addition, corporations should be encouraged to

pay delinquent taxes prior to suspension, thereby eliminating the need for suspension and related costs. The fee should be collected by the Department of Revenue with the taxes, interest, and penalty for late payment which are remitted by the suspended corporation. In fiscal 1972, 2,700 corporations were suspended and 600 were reinstated. Revenue upon implementation would amount to \$15,000 per year.

**7. Reduce clerical staff by cross-training in more than one division.**

The six separate divisions of this agency employ 16 stenos and clerks. Each division works independently, although they are engaged in similar tasks. Temporary employees are hired to assist during peak work loads and the summer vacation season.

A clerical pool should be trained to work in several different divisions. This would enable the department to function efficiently with a minimum of two fewer full-time clerks and eliminate the hiring of temporary employees. Annual savings would amount to \$12,600.

## Department of State Treasurer

This department is responsible for receipt, custody, and disbursement of all state funds. It also ensures that cash is available to meet obligations of the state and invests idle funds to bring the highest return possible.

The State Treasurer, an elected official, is the state's fiscal consultant and manager of the public debt. He is also directly concerned with local governments' debts and fiscal well-being, and provides them with a financial advisory service. The treasurer has ex officio duties and responsibilities in agencies concerned with local government finance, public education, banking, taxes, housing, hospital finance, and employee benefit programs.

### CURRENT OPERATIONS

The department's budget for fiscal 1973 was \$2.5-million, of which about \$1.09-million was from appropriations and \$144-million was from receipts. Its staff totals 156.

The State Treasurer's Office, with a staff of 30 and a fiscal 1973 budget of \$356,200, is comprised of two divisions. Its Funds, Investment Management, and Public Debt Management Division markets state bonds, invests idle funds, and administers various trust funds. The Administration and Operations Division renders budgeting, personnel, and purchasing

services to the department. Additionally, it administers escheats funds, acts as custodian of securities and bank collateral, receives for payment and processes all warrants drawn upon the State Treasurer by state agencies, maintains records of escrow securities for state deposits, and maintains records of all bonds outstanding.

The Local Government Commission has a staff of 13 and a fiscal 1973 budget of about \$222,400. It advises and assists local governments in all phases of fiscal management. It also collects, deposits, and manages all unclaimed property or revenue that escheats annually to the state. Within this commission is the Tax Review Board, an administrative body which hears and considers taxpayer petitions concerning tax liability.

The Retirement and Health Benefits Division employs 113 people, and its fiscal 1973 budget was \$1.95-million. The statutory agencies and funds administered by this division are the Teachers' and State Employees' Retirement System, North Carolina Local Governmental Employees' Retirement System, Public Employees' Social Security Agency, Legislative Retirement Fund, and Health Benefits Program for Teachers and State Employees. These programs serve approximately 250,000 state and local government employees.

## EVALUATION

The treasurer's office operates with a high degree of competence. The treasurer is constantly reviewing procedures so improvements can be made based on sound business principles. Effective investment policies have been developed and implemented through the years. As a result of good debt management, the rating of state bonds is the highest possible.

The efficiency of the Administration and Operations Division is currently impaired because sections of the department are located in separate buildings. This causes duplication of effort in several areas. The Retirement and Health Benefits Division is growing rapidly because membership in the retirement systems has increased sharply in recent years. With staff reorganization and the utilization of data processing equipment, it appears able to deal with normal future growth without a major increase in staff. Further staff savings could be obtained through cross-utilization of employees between divisions within the department.

## RECOMMENDATIONS

### 1. Move all divisions into one building.

At present, the Retirement and Health Benefits Division is located in the Administration Building, and the remaining divisions of the department are in the Albemarle Building. This causes duplication of functions in the areas of budget preparation, personnel, purchasing, accounting, stenographic assistance, forms, stockroom, and supervision. Offices should be consolidated in one location. A 10% increase in efficiency could thereby be achieved, as well as a staff reduction of 16 employees. Based on fiscal 1973 data, consolidation would effect an annual saving of \$252,000.

### 2. Transfer escheat enforcement and collection responsibility to the Department of Revenue.

Present enforcement measures consist of continuing educational and informative efforts directed at those persons coming under the law. Escheats are sent to the state on an almost voluntary basis. Until July 1, 1971, they were administered by the University of North Carolina, and the highest total annual receipt was approximately \$400,000. However, under the treasurer's control, collections were approximately \$1.4-million for fiscal 1973. This increase was effected primarily by contacting corporations, insurance companies, certified public accountants, and individuals with a form letter.

More revenue could be generated if collection and investigation responsibilities were transferred to the Department of Revenue, which has personnel trained for such activities. No increase in staff would be needed. A statement should be required with the income tax return indicating all escheat funds due

have been paid. These changes should effect a one-time income of \$2-million and annual income thereafter of \$500,000 from increased collections.

### 3. Discontinue numerical filing of paid bearer-bond coupons, and determine outstanding interest coupons on a batch basis.

Paid bearer-bond coupons are currently set up numerically and filed. After 3 years, they are listed in order on a cremation certificate and then are burned.

Certificates should show only one amount being burned for a given interest date without specifics. There would also be one total for coupons outstanding, rather than specific amounts in numerical sequence. The clerk presently doing this task spends about 70% of her time sorting coupons numerically. If sorting is eliminated, this position could also be discontinued and the remaining work assigned to another clerk. Annual savings of \$9,500 would result.

### 4. Consolidate all retirement systems within the Department of State Treasurer.

Retirement systems are currently administered by the Department of State Treasurer, with the exception of the Firemen's Pension Fund, the Law Enforcement Officers Benefit and Retirement Fund, and State Board of Pensions (Confederate Widows' Pension). These are managed by the Department of State Auditor.

All retirement systems should be transferred to the Department of State Treasurer. This would eliminate some obvious overlapping and duplication of operations, and the treasurer could do the work with four additional employees. A reduction of eight positions in the Department of State Auditor would provide net annual savings of \$25,200 to the state. Further, additional investment income of about \$20,500 would be realized annually.

### 5. Combine all posting for retirement systems, health benefits, and social security.

These are presently two separate posting operations, with two machines and two operators. Neither machine nor operator is capable of doing the work of the other. When one machine is inoperative, as in the event of sickness, the work is not done.

Posting functions should be combined under direction of the accounting supervisor. The person now posting for the Social Security Agency could be the backup and could be trained to perform other needed work within the agency. An additional accounting clerk would then not have to be hired, thus providing an annual cost avoidance of \$6,300.

No records are kept of the amount of time that deposits have been delayed because of posting problems. On a conservative basis, however, the loss of interest earnings is estimated to be \$20,000 an-



nually. Consolidation of posting would change this loss to income.

**6. Consolidate all areas where monies are received into a central collecting, verifying, and depositing area.**

Monies are received primarily in the retirement systems, health benefits, and Social Security Agency

areas. All personnel involved work alone and in different locations. Since operations are basically the same, there should be one area for collecting, verifying, and depositing monies. Cross-utilization and backup capabilities would be improved, and two additional clerical personnel would not have to be hired. An annual cost avoidance of \$12,600 would result.

## Department of Revenue

This department, created by statute, is responsible for collecting and administering the following taxes: inheritance and gift tax; sales and use tax; corporate income and franchise tax; intangibles tax; individual income tax; privilege license, beverage, and cigarette tax; and gasoline tax. In addition, it estimates revenue to be collected under existing laws and forecasts the effect upon revenue of proposed changes in the tax laws.

### CURRENT OPERATIONS

The Commissioner of Revenue is appointed by the Governor and is aided by a deputy commissioner. The department employed 933 permanent personnel as of February 1, 1972, and operating expenses for fiscal 1972 were about \$12.1-million. Requirements for fiscal 1973 and 1974 are \$13.3-million and \$12.4-million, respectively. Five staff divisions provide administrative services: Audit and Collection, Accounting, Service and Supply, Planning and Processing, and Tax Research. Approximately 350 of the department's employees are engaged in field activities such as audits, investigation and collection of delinquent accounts, and assistance in preparation of returns. There are 64 field collection offices and 16 field audit offices located throughout the state.

The department administers the State Board of Assessment, which supervises the valuation and taxation of real and tangible personal property by cities and counties. This board also appraises the property of public service companies.

State tax collections in fiscal 1972 from taxes supervised by the department were \$1.4-billion. The largest volume of work was in the Individual Income Tax Division, which handled 2.3-million separate returns. The Audit and Collection Division audited 8,346 taxpayers' records collecting an additional \$7.4-million in taxes. Various types of state revenues are administered by other departments or agencies, including motor vehicle and license taxes, as well as levies upon insurance companies, banks, and other special entities.

### EVALUATION

The Department of Revenue is well-managed and responsive. However, its current organizational structure has too many sections reporting to the deputy commissioner. The activities of the several support and tax divisions are treated in separate sections of this report. No significant recommendations could be made regarding the Gas Tax, Service and Supply, Inheritance and Gift Tax, and Planning and Processing Divisions, and for this reason they are not covered.

### RECOMMENDATION

**1. Add a deputy commissioner with responsibility for collection of taxes.**

Currently, 14 units and divisions report to the Deputy Commissioner of Revenue. The department has proposed to add two administrators under this deputy. Instead, a second deputy commissioner position should be established and the work split into two main sections. The second deputy would supervise tax collections, while the other would direct administrative services and field activities. A net annual cost avoidance of \$25,000 would result from not hiring the two administrators.

## Accounting Division

This division is a service organization under the direction of the Commissioner of Revenue. It is charged with responsibility to:

- ▶ Receive, record, deposit, and account for all receipts of the department.
- ▶ Maintain records of state tax collections.
- ▶ Administer the budget of the Department of Revenue and requisition funds for department operating expenses and refund payments.
- ▶ Assist in processing claims for tax refunds and returned taxpayers' checks.

The Accounting Division has 67 permanent and 60 temporary employees. Temporary employees are



hired during the peak of the individual income tax season. In addition, 225 permanent employees from other divisions are utilized in April for 10 to 15 days. The division's operating budget for fiscal 1973 was \$576,900, which represented 4.38% of the department's total budget. During the past several years, the number of items processed has increased at an average rate of 3% annually. Revenue collections for fiscal 1972 increased 12.98% over 1971.

Accounting Division units provide a number of services to the department. The Mail and Revenue Receiving Unit posts and directs incoming mail for the entire department, validates checks and certain tax return information, as well as deposits collections. Budgeting and Personnel Accounting coordinates various budgeting activities and check preparation for department purchases. It also keeps time and payroll records for all departmental employees. Refund Disbursements assists in the verification of individual income tax refunds prepared on automated data processing (ADP) equipment. It also aids in computer preparation of non-highway-use gasoline tax refunds and processes manual checks for refunds of a variety of taxes. The Remittances and Returned Checks Unit administers the collection of checks returned unpaid by the banks. Penalties are added to original amounts and sent to Revenue Collectors' offices for collection.

In general, the division is an efficient unit. Its permanent staff performs several jobs in its area of responsibility. Both temporary and permanent employees move from one job station to another with minimum lost time and productivity. The division worked in two locations for 18 months while its permanent building was being renovated. This created operational problems for management. The renovated area, to be completed in 1973, should ease some operating difficulties. However, several opportunities exist for realizing financial benefits.

## **RECOMMENDATIONS**

### **2. Establish a post office box for all large accounts which pay taxes in amounts of \$5,000 or more.**

Due to volume, there is an average time lag of 2 days in depositing checks. A computer should be used to identify accounts which pay \$5,000 or more. These accounts should be sent return envelopes, which would be directed to a special post office box. In this way, approximately 52% of total revenue receipts could be received separately, processed first, and deposited on the same day as received. The procedure will involve only 1.1% of the number of checks received, but these collections represent \$676-million per year. Depositing this amount 2 days earlier will provide an additional annual income of \$225,500.

### **3. Revise the work flow in processing individual income tax refunds.**

Currently, EDP-printed refund checks are sent to the Service and Supply unit to be burst and then to the Accounting Division for signatures. The Individual Income Tax Division uses a computer to select and pull those checks to be sent to foreign countries, as well as those in amounts different than requested by the taxpayer. The computer also identifies taxpayers against whom another tax division has an outstanding claim. The check register and tax returns are sent in batches to the Accounting Division to be added and balanced. Returns are filed when in balance and the checks are mailed. If the refund amount is different than claimed, an explanation card is enclosed.

The Individual Income Tax Division should balance returns after their normal visual audit. The computer would add voucher amounts for each batch, subtract any misprocessed returns, and flag any batch out of balance. Checks would be sent to the Service and Supply unit, which would pull out all checks to taxpayers owing money to any division in the Department of Revenue. The checks would be processed with a burster having a signing capability and then mailed. Labels for drafts in amounts different than claimed could be printed by computer and attached to a general mailer. Benefits will include better control of paper work and elimination of one clerical position, resulting in a \$6,300 annual saving.

### **4. Purchase a bursting machine that will simultaneously affix signatures.**

After all EDP-prepared checks are printed, they go through a bursting machine for separation. Then they are moved to another part of the building to be signed. Purchase of a combination bursting and signing machine at a one-time cost of \$4,000 would eliminate this dual step. However, implementation will produce an annual saving of \$2,000.

### **5. Upgrade the minimum penalty imposed on a taxpayer for submitting a bad check.**

The penalty for a bad check is 10% of the amount of the check up to a maximum of \$200, with a minimum charge of \$1. This was set years ago by legislative action and falls far short of covering the expense of collections. Therefore, the minimum should be raised to \$5, but the percentage and maximum should remain the same. Based on a January 1973 sampling, it is estimated the state will receive an additional annual income of \$11,500.

### **6. Enforce fire regulations by posting No Smoking signs and installing a fire extinguisher in the vault.**

Mail is kept in the vault until it is processed. At times, receipts are stored overnight and during the day. If a fire broke out in the vault, the entire con-

tents could be lost. Fire regulations should be enforced to prevent such a disaster. No Smoking signs should be posted and a fire extinguisher installed in the vault.

## Individual Income Tax Division

This division collects income tax from individuals, partnerships, estates, and trusts. It interprets income tax laws, designs tax forms and prepares instructions, publishes rules and regulations, examines returns, and performs other functions related to administration of income tax laws.

Under supervision of a director, the division employs 160 permanent and 75 temporary employees. The revenues collected amounted to \$301.7-million for fiscal 1971, which was 31.24% of general funds revenues.

Its Withholding Tax Unit receives and processes employees' quarterly reports of tax withheld, mails delinquency notices, and sends form letters to taxpayers requesting information. A taxpayer file is maintained and updated quarterly by computer. Temporary employees process employer's withholding statements and individuals' returns, cross-reference them, and validate balances by computer. They also spot-audit returns.

Tax Return and Correspondence receives and sorts incoming forms and correspondence, bills taxpayers, maintains required files, and corresponds with taxpayers. During the first half of the year, it also assists in processing individual tax returns. The temporary staff performs clerical and coding operations on an average 1.7-million refund returns.

The Individual Income Tax Audit Unit, during the first half of the year, performs a quick visual audit of refund returns. About 80,000 are labeled for possible changes and audited more closely during the rest of the year.

The work load of this division is heavy throughout the year. A peak is reached from February through May. With help from other divisions, a large temporary staff, and postponement of some normal divisional activities, the processing of refund returns is completed by June. Management is professional and responsive to new ideas. The permanent clerical staff is well-trained and appears to be flexible in work assignments.

The division has worked in two separate locations for 18 months, while its permanent building is being renovated. This has required additional planning by management, as well as frequent trips back and forth. Completion of the renovated areas should allow certain functions to be combined and others to be performed more efficiently.

The major problem for this division is the increasing number of returns prepared by persons other than the taxpayer. The division's audit unit estimates 50,000 of these are incompetently prepared. The errors require additional correspondence, as well as penalty and interest payments, and disappoint the taxpayers.

## RECOMMENDATIONS

### 7. Consider licensing and regulating professional tax preparers.

There is no license requirement for those who prepare tax returns for a fee, other than a privilege license to do business. As a result, many of these returns contain errors which are time-consuming and costly for the division to correct. Several states require practitioners to take and pass a tax proficiency test yearly and obtain an annual tax preparer's license. Exemptions are granted to those who are otherwise professionally qualified, such as attorneys and public accountants.

This requirement should be considered for North Carolina. A license fee of \$25 should be charged to the estimated 5,000 practitioners. Costs of operating the program would be about \$50,000, for net annual income of \$75,000. More accurate preparation of returns would reduce the auditor's work load by 10% and permit a staff reduction of five auditors, saving \$60,000 in annual salary expense.

A penalty of \$5 should be assessed against professional preparers of returns which contain errors or require correspondence for missing information. Annual administration costs could be about \$25,000. The estimated 50,000 annual penalties could yield net income of \$225,000. Combined income for these changes could be \$300,000 per year. However, no savings or income are claimed.

### 8. Allow the filing of consolidated returns for husband and wife.

At present, consolidated returns may not be filed. The law should be changed to permit the filing of consolidated returns by husband and wife. This would conform with practice in 30 of the 42 states which impose an income tax. Deductions should remain the same, however, so there is no change in the amount of tax collected. For the 1972 tax year, approximately 2.1-million individual tax returns were filed, of which 700,000, or 33%, were for married women. Allowing consolidated returns would ease the work load and permit reductions of permanent and temporary staff. Elimination of 13 audit and the equivalent of 28 clerical positions, together with reduced computer charges, would yield \$500,200 in annual savings. The change would also aid in cross-auditing with the federal government and make the taxpayer's work easier.



## **9. Reorganize clerical units in the tax processing and withholding sections.**

At present, clerks in these sections are divided into units of three. This creates problems when absences occur because units are assigned specific work loads which must be completed. Employees will not help other units because they feel this would detract from their own performance.

Clerks should be grouped into units of six. Work could then be assigned by larger portions and would proceed more smoothly. Implementation would allow elimination of three clerks, for \$19,500 in annual savings.

## **Privilege License, Beverage and Cigarette Tax Division**

Under direction of the Commissioner of Revenue, this division administers the tax schedule pertaining to privilege licenses, cigarettes, soft drinks, beer, wine, and liquors. To fulfill this function, it designs and publishes tax forms and regulations, issues licenses, examines returns, determines penalties and assessments, maintains files, and conducts tax seminars for civic and professional groups.

The division is supervised by a director. It employs 50 full-time and 25 temporary personnel. Its units are structured to process the work for the four tax subschedules.

The Privilege License Tax Unit authorizes concerns to do business in the state. Most licenses are processed between June 15 and August 15. This is when temporary clerks are hired to file, balance totals, and assist in mailing. Approximately 120,000 taxpayers purchase 300,000 licenses each year.

Employees also correspond with delinquent taxpayers, many of whom must be visited by the revenue collector. Follow-up on delinquent accounts requires several clerks.

A Cigarette Tax Unit verifies monthly reports from 203 cigarette distributors and six manufacturers. The Soft Drink Unit dispenses tax stamps, audits monthly reports, and corresponds with 153 retail and 450 wholesale dealers. All reports are cross-checked with information from manufacturers doing business with the taxpayers.

The Beverage Unit annually licenses approximately 250 resident and nonresident wholesale dealers. These wholesalers are responsible for reporting sales monthly and paying excise taxes accounted for on invoices to customers. Money is redistributed to counties and municipalities, based on the collections and population of each. The amount of distribution for fiscal 1972 was approximately \$8-million.

The procedures of the division are well documented. Detail control procedures are strictly adhered to and absolute cross-checking is done in all operating units, regardless of clerical cost. Some procedures and personnel are unnecessary. Two locations have been used for 18 months by this division, due to renovation of the Revenue Building. Completion of renovated quarters should ease problems such as files and correspondence needed at both locations.

## **RECOMMENDATIONS**

### **10. Establish a \$5 minimum monthly penalty for delinquent gross receipts taxpayers.**

A sampling of the 500 monthly accounts showed 125 late reports were assessed an interest charge of 0.5% per month. About 80 of these pay interest charges of less than \$5, with the average being about \$2. To help pay for correspondence and collection, this penalty should be raised to a \$5 minimum. Additional income of \$240 per month, or \$2,880 annually, would be realized.

A sampling of the 1,000 quarterly accounts revealed 10% had interest charges applied for delinquency in amounts averaging approximately \$2. Increasing the penalty would yield \$450 quarterly, or \$1,800 annually, from this group.

Total additional annual income of about \$4,700 would be generated. This does not cover the full cost of processing delinquencies but makes the delinquents pay a greater share of expenses.

### **11. Rewrite the form letter to delinquent gross receipts tax accounts.**

Frequently, a taxpayer pays his delinquent tax but fails to include the penalty or incorrectly figures the amount. The present form letter reminds him of the penalty, but does not specifically refer to the lines on the tax return which account for it. Follow-up is costly, and often it is necessary for a field collector to visit the taxpayer. Therefore, the form letter sent to delinquent gross receipts tax accounts should be rewritten to direct taxpayers' attention to lines on the tax return which deal with penalties. This would reduce the administrative expense of collecting the tax. Approximate annual savings of \$2,500 in materials and travel expenses would result.

### **12. Increase or eliminate the privilege taxes on dispensing machines, shoeshine chairs, and outdoor advertising.**

Presently, there are 668 individually owned less-than-\$0.05 and 13,000 \$0.05-or-more dispensing machines. Current taxes do not pay the cost of collections. Increasing levies from \$0.50 to \$1 and \$5 to \$10, respectively, would make returns and expenses more equitable by generating additional annual income of \$120,000.



There are 1,331 shoeshine chairs or stools subject to a privilege tax, which again does not meet collection expenses. Increasing this charge from \$1 to \$5 would mean an additional \$5,300 in annual revenue. The tax for outdoor advertising should also be increased from \$1 to \$5 per sign to better cover the cost of collections and generate approximately \$5,000 in additional annual revenue.

Aggregate annual income of \$130,300 would be produced. If the rates on each of these items are not increased, the taxes should be eliminated.

### **13. Eliminate double-balancing of applications for licenses.**

Applications are received from the Accounting Division in batches of 100 with a printed name and amount tape for balancing. Each application with multiple licenses is balanced to confirm the amount indicated at the bottom and circled by Accounting. That division has previously verified the check amount equals the circled amount, and the cashier has totaled checks against the batch totals. In addition to proving each application, the Privilege License Division adds all detail items to be sure they equal the batch totals. This step is unnecessary since the data processing section also balances in detail.

This division should verify each application total and confirm it on the bookkeeper's tape. Applications to be held for further verification would be pulled when required and an adjustment made to the batch total. The batch would then go to keypunch for processing. This would eliminate the duplication of effort.

### **14. Eliminate five clerical jobs and one administrative position.**

There are currently five people gathering information at the Board of Alcoholic Control office. Several other employees are generally out sick or on vacation, and many jobs are unfilled. Still, control and auditing of taxes due is excessive. This division should be able to perform all responsibilities with a reduction of five clerical jobs. In addition, the Revenue Administration Officer in the Beverage Unit plans to retire in a year, and his place will be taken by an assistant chief. That assistant chief's position should then be eliminated. Annual savings from these staff reductions will amount to \$44,000.

## **Intangibles Tax Division**

The Commissioner of Revenue directs this division in its administration of laws pertaining to taxes levied upon intangible personal property. These taxes benefit the counties and municipalities. The division mails tax forms, processes and audits returns, imposes penalties and interest charges on delinquents, keeps records, maintains adequate ac-

counting controls, and distributes revenues to local governments in conformity with statutes.

The division is supervised by a director and employs one temporary and 25 full-time personnel. Its peak working period is in March and April. About 160,000 returns were processed and \$27-million was collected during fiscal 1972.

The Audit Unit compares returns with source material received from corporations and stock brokerage firms doing business within the state. Source cards give the numbers of shares held by taxpayers and the corporations in which they have ownership. The auditor also cross-checks all recorded accounts, as well as notes payable and receivable, and corresponds with taxpayers. During fiscal 1972, approximately 11,000 assessments were made and \$800,000 billed.

The Clerical Unit processes all returns. It maintains bulk balances established in the Accounting Division, adjusts account balances for later distribution to counties and municipalities, and records assessments and billings outstanding. Additionally, it types and files request letters, assessments, and billings, as well as maintains taxpayer files.

The Intangibles Tax Division is efficiently administered. Clerical employees are well-trained, flexible in work assignments and attitudes, and conscientious. The auditors' task is difficult because of the small size of the staff. However, a concerted drive is constantly made to complete all necessary work.

## **RECOMMENDATIONS**

### **15. Assess the negligence penalty uniformly.**

The field auditors uniformly assess a 10% penalty when negligence is considered a contributing factor for taxpayer violations. However, the office auditors seldom apply the negligence penalty, even though they would be justified. The negligence penalty should be imposed uniformly to make application of the tax laws more equitable. Based upon the number of audits performed in the office, the division estimates this action would yield additional annual income of \$40,000.

### **16. Enclose intangibles tax forms and instructions in the individual income tax booklet.**

The intangibles tax is one of the least understood and reported of all levies. The 140,000 individuals who file a return are sent an information packet the following year. By including intangibles tax forms and instructions with the individual income tax packet, distribution would be increased to 2.5-million taxpayers. Heightened visibility would improve awareness of the intangibles tax requirement.

The resulting increase in forms cost has been estimated at \$27,500. In addition, multiple pressure-

sensitive labels should be supplied to aid processing of the several forms within the packet. The increase in label cost would be offset by printing fewer forms for the current method of distribution and lower mailing expense.

This procedure would increase collections by about 3%, or \$810,000. An additional auditor and clerk would be hired at an annual salary expense of \$20,500. The total benefit would be a net annual income of \$762,000.

**17. Eliminate the taxpayer card file and assignment of control numbers when the department's master file is implemented.**

Currently, a card file is maintained of all intangibles taxpayers. In addition, each taxpayer is assigned a control number.

The Planning and Processing Division is going to consolidate all such independent records. The divisions will be provided a video display terminal. A clerk will then be able to key in Social Security numbers and scan the desired records. This will allow elimination of intangibles tax files and associated maintenance. The new master file would also aid in identifying the few taxpayers who pay intangibles taxes, so they could be put on a special mailing list. Reduction of file maintenance and searching time should eliminate the need for a clerk, saving \$6,300 annually.

## **Corporate Income and Franchise Tax Division**

This division collects revenue and ensures compliance with laws relating to franchise, corporate income, gross earnings, and bank excise taxes. The administrative staff includes a director, assistant director, audit chief, and two revenue administrative officers. The entire division employs 34 permanent personnel and one temporary worker in six units. In fiscal 1972, net collections exceeded \$196-million, providing approximately 20% of general fund revenues. The operating budget for the same period was \$462,300.

The division works closely with the Secretary of State in registering, suspending, and dissolving corporations. It also exchanges information with the federal government concerning tax filings, discrepancies, and corrections of income reporting. Cities and towns receive a distribution of 24% of gross receipts tax collections from telephone, electric, and piped-gas utilities.

Collections and Billing receives incoming tax forms daily in batches of 100 from the Accounting Division. A breakdown is made between income and franchise tax, information is furnished other divi-

sions, and returns are sorted into various groups for filing or processing. This unit also makes visual checks on all returns, calculates and bills penalties and interest due, prepares quarterly bills on installment payments, and prepares proposed assessment letters.

The Card Control and File Unit maintains individual file folders on all taxpayers. Cards are used to record tax returns received and to generate delinquent notices by computer.

The Clerical and Statistical Unit processes requests for extensions. It also sets up files on new corporations and corresponds with them to provide necessary information and require payment of the \$10 initial franchise tax. Lists of new corporations are forwarded to all divisions of the department monthly, and a register or index is prepared annually. Franchise tax statistics are developed biennially and furnished to the Tax Research Division.

Delinquent Returns corresponds with or telephones delinquent taxpayers. Corporations which fail to pay or to supply required information may face suspension of their charters. The unit also bills and collects gross receipt taxes on railroad freight lines and utilities. It computes the bank tax on intangibles and maintains a current record of franchise taxes for legislative and budgetary purposes.

A Correspondence Unit provides stenographic and typing services relating to delinquent returns, refunds, auditing assessments, reinstatements, dissolutionments, and the like. Correspondence files are also maintained.

Audit screens and checks returns. About 25% of returns screened are found to contain some discrepancies. In calendar 1972, due to office audits, assessments were billed in the amount of \$3.3-million and refunds were made for \$1.7-million. Field auditors and others accounted for additional assessments of \$441,800 and refunds of \$13,900.

Considerable time and expense are spent in processing delinquent payments. Only infrequent contacts are made with nonfiling, nonprofit corporations to determine active status. Also, supervisory and audit personnel are sometimes utilized in the processing of mail.

### **RECOMMENDATIONS**

**18. Provide new corporations with tax forms for their first annual filing.**

New corporations are sent a letter advising them of the initial franchise tax of \$10. However, regular tax forms for the filing of franchise and income taxes are not mailed to them until after the first annual return is filed. As a result, 200 to 300 letters are written to corporations each year regarding failure



to file following their first annual accounting year. Tax forms should be supplied for first annual filing. Revenue would then be received earlier and the expense of correspondence and delinquent notices reduced. No savings are estimated.

**19. Mail a questionnaire to tax-exempt, nonfiling, nonprofit corporations every 2 years to determine their current status and functions.**

Many nonprofit corporations are formed for short periods of time, and many others go out of business for various reasons each year. Considerable filing space is now occupied by records of nonprofit corporations which have not functioned in years. Questionnaires should be sent to all tax-exempt, nonfiling, nonprofit corporations every 2 years to determine their status and functions. The filing space gained by purging inactive records would more than offset the expense required to bring records up to date.

**20. Eliminate use of supervisory and audit personnel for processing mail.**

Supervisory personnel are used as high-salaried clerks during 1 or 2 weeks in April every year. This work should be performed at less expense by adding temporary employees. The supervisors could then engage in more technical activities to prevent work from lagging. An average \$64,000 was assessed per week of audit work in calendar 1972. Assuming this change would make staff available for an additional week of audit work, a minimum of 50% of the assessment, or \$32,000, is estimated as additional income. The cost of extra temporary help would be \$2,000, leaving net annual income of \$30,000.

**21. Increase the minimum penalty for failure to pay tax when it is due.**

Each year, approximately 1,500 to 2,000 returns are received which do not include payment of the required tax. Each of these requires correspondence, and many also incur follow-up billing and assessment expenses. The present minimum penalty of \$5 does not cover costs and should be increased to \$25. The larger penalty would encourage more taxpayers to pay promptly. Estimated additional annual income of \$20,000 would help offset costs.

**22. Perform field audits on gross receipts tax returns and on allocation and apportionment of income and property.**

Only office-level audits have been performed on returns relating to gross receipt tax or on the allocation and apportionment of income and property by domestic and foreign corporations engaged in multi-state operations. The division has set goals for field audits but has not yet implemented them. Such field audits should be performed. They would be productive and would broaden the scope of the

audit staff. Additional annual assessments of an estimated \$100,000 would result. The additional auditing could be handled on a rotation basis, without adding personnel.

## **Sales and Use Tax Division**

This division administers, interprets, and enforces state and local sales and use tax laws. It is headed by a director, an assistant director, and two section chiefs, who supervise a staff of 64 permanent personnel. Two temporary employees are hired for brief periods twice per year. In fiscal 1972, collections totaled about \$325-million. Among the larger items were taxes from the sale of food, general merchandise, and automobiles.

The work load has been increased by enactment of a 1% local sales and use tax in 90 counties since 1971. This division collects these taxes and disburses funds to counties and cities concerned, less the cost of collection.

Its Receiving and Disbursing Unit receives and sorts all mail relating to sales and use taxes received daily from the Accounting Division. This unit also issues merchants' certificates or licenses. The File Unit maintains permanent file folders for all taxpayers registered for sales and use tax purposes. An Audit Unit examines division files to determine if taxpayers are properly discharging their obligations. Assessments and refunds are requested when discrepancies are found. The Assessment Unit prepares additional billings for taxes due and imposes penalties provided by statute. A divisional Billing Unit maintains controls on active and inactive certificates of tax liability, claims, and inactive accounts receivable. The Use Tax and Correspondence Units deal with taxpayers, accountants, attorneys, and others regarding various sales and use tax matters.

The Sales and Use Tax Division is directed by an experienced staff of administrative officers. Work loads remain relatively constant throughout the year, although they have increased overall with the added responsibility of collecting and refunding county sales and use taxes. Retail and wholesale license fees were set many years ago and no longer defray all expenses. The division has investigated the feasibility of using microfilm to facilitate maintenance of over 100,000 files in which monthly reports are retained for 3 years. File space in this area will soon become critical.

## **RECOMMENDATIONS**

**23. Increase the retail license fee to \$5.**

This license is required by all retail merchants who conduct business subject to sales and use taxes. The license does not have to be renewed. However, the



present fee of \$1 does not pay for the expense of issuing licenses and maintaining records. The retail license fee should be raised to \$5. Based on fiscal 1972 issuance of 24,200 licenses, this charge would provide additional annual income of \$96,800.

**24. Raise the annual wholesale license fee to \$25.**

Wholesale licenses must be renewed each year at a charge of \$10. This amount was set in 1934 and does not cover present costs. It is also low in comparison to other state licenses. Increasing the fee to \$25 would make it more compatible. Additional annual income of about \$285,000 would be realized from the state's 19,000 wholesale firms and offset costs.

**25. Develop microfilm procedures for sales and use tax reports as well as taxpayers' applications for registration.**

Sales and use tax reports are maintained for three years in division files, and the taxpayer's application for registration is held as long as the account is active. There are, currently, about 3.8-million reports of active taxpayers on file, plus many more for inactive taxpayers. These are placed in folders along with audit reports, applications for registration, and correspondence. They occupy 468 four-drawer file cabinets.

A microfilm system should be instituted for reports and registration applications. More rapid retrieval could be obtained, and microfilm backup could be established to provide greater protection from fire. Floor space could be reduced at a saving of \$6,000 per year, and eight file clerks could be eliminated for annual savings of \$40,000. Also, the purchase of 20 file cabinets at a cost of \$1,500 per year would be unnecessary.

The purchase cost of microfilm equipment, including camera, reader-printer, processor, and accessories, would be approximately \$25,000, with service charges less than \$500 per year. Additional claim and processing expense is estimated at \$19,400 annually. Film supplies and developing would cost approximately \$4,400 per year. After the initial purchase of equipment, annual savings of about \$23,200 could be realized.

## **State Board of Assessments/ Ad Valorem Tax Division**

The State Board of Assessments supervises property taxation in the state. It appraises all property of public service companies, trucking companies, bus lines, and airlines, and allocates the state's portion of that valuation to the local taxing units. The board also hears and adjudicates appeals of valuation decisions. The administrative officer and secretary to the board, plus his staff known as the Ad Valorem Tax

Division, perform administrative functions in dealing with taxpayers, counties, and municipalities.

The five-member board is empowered to make final and conclusive valuations of property. A taxpayer can appeal the board's decision to the Superior Court. The board has the authority to design and prescribe books and forms used throughout the state in listing, appraising, and assessing property for taxation. It also certifies tax supervisors.

The staff of specialized experts in the Ad Valorem Tax Division make informal decisions upon questions relating to the valuation and assessment of property. The division is a relatively new group headed by the administrative officer and secretary to the State Board of Assessments. It employs 10 permanent employees, as well as a court reporter on an as-needed basis. Their function is primarily to provide legal advice and technical assistance to local taxing officials on matters pertaining to real property, public service companies, and personal property. Through this division, taxing agencies can check inventory values shown on taxpayers' personal and corporate income tax returns. The operating budget for fiscal 1973 was \$222,900. Operating expenses are recovered from intangible property taxes.

The State Board of Assessments and Ad Valorem Tax Division have not been able to achieve uniformity and equal treatment of taxpayers by counties, since counties only follow suggestions at their discretion. Some inequities are due to local politics and unqualified personnel. The division staff is too small to conduct studies required of it by statute. The services of staff experts are offered only when requested by the counties. The present staff could not cope with requests from all counties. Neither the board nor the Ad Valorem Tax Division has the authority to actively enforce property tax laws.

### **RECOMMENDATIONS**

**26. Develop an appraisal manual for use on a statewide basis.**

North Carolina does not publish a uniform assessment manual, although some preliminary work has been devoted to developing one. Presently, most counties purchase manuals developed by outside appraisal firms. Every year approximately \$1.4-million is spent on appraisals, of which about \$278,700 is allocated for manuals.

A uniform state assessment manual should be developed and its use required in all counties. Such a manual would increase uniformity between taxing units and would aid in training appraisers and other tax officials. It would provide cost, market, and income factors for each county, as well as point out statutory requirements. This should result in better compliance with laws.

The initial development cost would be about \$75,000 if done by an outside firm, and \$20,000 if prepared by the Ad Valorem Tax Division. The cost of maintaining it would be approximately \$5,000 each year. Production of a state manual would save about 50% of the present cost, or \$139,300 per year. Net annual savings would thus be \$134,300.

**27. Determine the feasibility of substituting an excise tax for the personal property tax on automobiles.**

Mecklenburg County, which includes Charlotte, recently estimated it lost \$400,000 in property taxes applicable to automobiles in fiscal 1971. This figure included unlisted cars, the administrative expense of tracking down these cars, and costs of collection. This county contains approximately 7% of the cars in North Carolina. If its situation is representative, the state's annual loss is about \$5.7-million.

Other states exempt automobiles from personal property taxes. Instead, they bill an excise tax based on value. This is paid when the license is purchased. Such a procedure should be studied in North Carolina. Savings could be realized through elimination of clerical and collections personnel, as well as reductions in computer time. The state could charge cities and counties a fee to cover collection costs, then allocate revenue back to localities. The Office of Motor Vehicles has records on each car and the computer capability to bill an excise tax based on model and type along with the registration fee.

The cost to local areas for collecting the tax should not exceed \$1-million. Using Mecklenburg's experience, estimated additional income of approximately \$3-million could be realized by cities and counties. However, no income is claimed.

## **Audit and Collection Division**

This division's objective is to ensure compliance with all state tax laws in a fair and equitable manner through personal contact with taxpayers at the local level. Its field offices throughout the state deal directly with the public concerning collection of taxes and audit of related records. Taxpayers are also given assistance and advice regarding their liabilities.

Under a director and an assistant director, the division operates 64 different offices for 213 revenue collectors and 16 offices for 134 field auditors. Included are nine auditors who examine out-of-state taxpayers, and three employees at the Internal Revenue Office in Greensboro. Salaries and operating expenses for fiscal 1973 amounted to \$5.67-million, or 43% of the total department budget.

The work load of field forces is increasing each year due to population growth, the influx of new indus-

tries and businesses, as well as the relatively new soft drink, cigarette, and 1% county sales tax levies. Recruiting competent accounting graduates has been difficult due to the salary structure and the nature of the job. Also, the current training program for field personnel does not instill an adequate understanding of accounting, tax laws, as well as audit procedures.

## **RECOMMENDATIONS**

**28. Employ eight additional auditors to provide adequate auditing coverage.**

Currently, 122 auditors in 14 regular field offices audit 5% of the businesses in the community and less than 2% of individual tax returns. Additional audits would allow broader coverage of businesses which generate most revenues. Eight more auditors should be hired for this task. Based on fiscal 1972 expenses and assessments, net additional income of \$395,200 annually would result.

**29. Establish a training curriculum for collectors and auditors, and follow up with periodic meetings led by district supervisors.**

Currently, new field employees are given manuals and procedures to study. They work with experienced employees for 4 to 6 months and then attend a week of school in Raleigh. After about a year, they can function independently. Periodic notes are sent to the field on tax changes, new ideas, and recent problems.

A formal, programmed instruction course should be written and administered to all new employees. After intensive reading and experience in assisting with audits, a formal class should be attended within 3 months of hire. Another 3 months of field work with senior personnel should fully prepare the new employee to operate independently.

Training would be continued through seminars conducted by district supervisors. These supervisors would send quarterly reports about peculiar or important developments to Raleigh. Reports would be edited and returned as a group to each district to provide a basis for quarterly seminars. More meetings and reports would result in better trained employees. Additional income from audits should offset any increased training expenses.

## **Tax Research Division**

Tax Research maintains an information base to fulfill research requests from industry, government, and the legislature. Its analyses consist of history and projections of growth in taxes, population, industries, and so on. They are used to make decisions for relocation, expansion, and tax legislation.



The division operates under a director and an assistant director, who determine the aim and scope of projects to be developed by the clerical section. During each 2-year fiscal cycle, the clerical unit produces worksheets for a 10% sample of individual income tax returns, a 100% sample of individuals having incomes over \$10,000, approximately 40,000 corporate returns, and 41,000 franchise returns. A book of statistics is printed at the end of the 2-year cycle and distributed to local governments, the General Assembly, certain state departments, as well as public and school libraries.

Projects of the division are unbiased. The information base maintained is an important guide in tax matters, as well as an aid to business in and out of the state. However, morale is low and the rate of turnover is high. Evaluations and counselling are extremely infrequent. Educational standards for employees have been set too high. A college degree is desired and at least 2 years of college are required. New employees learn to code tax return worksheets in 4 to 6 weeks. They then spend most of the next

several years performing this same task, with only an occasional minor project.

## **RECOMMENDATIONS**

### **30. Replace six adding machines with electronic tape calculators.**

The division presently uses obsolete adding machines. Electronic tape calculators are more versatile, faster, and easier to operate. Six old machines should be replaced with calculators to increase efficiency and alleviate current understaffing problems. A one-time cost of about \$1,600 would be incurred.

### **31. Reclassify five clerical positions.**

The present high classifications for clerical positions make recruiting extremely difficult. Duties consist almost entirely of repetitious work, and few employees stay in the job because of dissatisfaction with the routine. Reclassifying to a lower clerical level would save approximately \$700 per position annually. Also, at least one position could be eliminated because of present overstaffing. Annual savings of \$10,000 would result.

# **Department of Military and Veterans' Affairs**

This department was organized in 1972. It has three chief functions:

- ▶ Mobilize National Guard troops upon call of the President or the Governor.
- ▶ Coordinate military and civil defense plans and operations, including those of the Civil Air Patrol.
- ▶ Assist veterans and their families and dependents in obtaining their rights and benefits under law.

## **CURRENT OPERATIONS**

Organization of the Department of Military and Veterans' Affairs (DMVA) brought together several agencies. The statutory authority, powers, duties, records, personnel appropriations, funds, and budgeting of the subordinate agencies were transferred to the DMVA. However, the act which created the department also limited its activities to direction of management functions. As shown in the present organization chart to the right, subordinate units include: State Civil Defense Agency, Civil Air Patrol, Adjutant General's Office, National Guard Mutual Assistance Compact, and Veterans' Affairs Office. Altogether, the DMVA had 162 employees and a budget of \$2.21-million for fiscal 1973. Salaries accounted for \$1-million. Capital improvements rec-

ommendations totaled over \$290,600. The extraordinary category, a budget subheading for a variety of small items, accounted for nearly \$400,000.

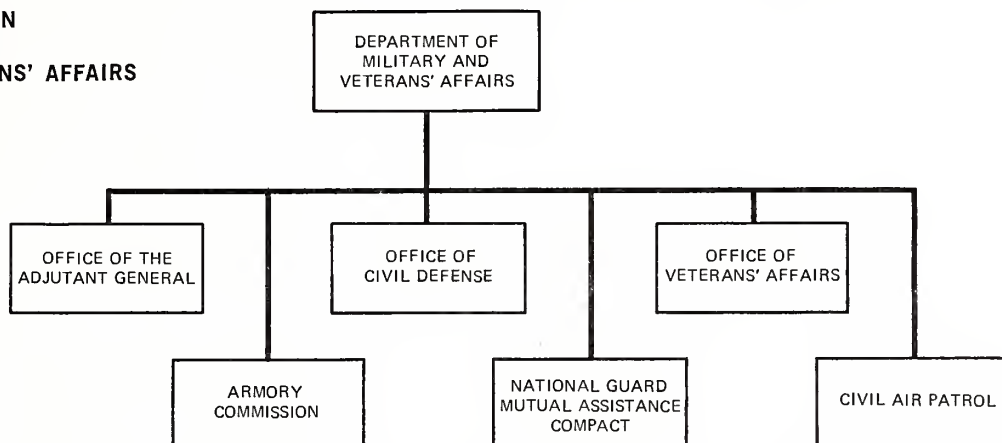
The secretary, chief officer of the department, is appointed by the Governor with the advice and consent of the Senate. His term is 4 years, concurrent with that of the Governor. A deputy secretary is also appointed. The supporting staff of the secretary's office includes the Management Operations Officer, the Business and Fiscal Officer, and the Assistant Secretary for Public Affairs and Program Coordination. Under the assistant secretary are the Office of Program Coordination and Evaluation and the Office of Public Affairs and Special Projects. The Adjutant General is the administrative head of the state's Army National Guard and Air National Guard. Combined strength of these units is about 11,900.

## **EVALUATION**

Due to the recent establishment of the department, there has not been sufficient time to create an effective and efficient organization. Consequently, the department lacks direction and overall morale is poor. Members of the department are uncertain of their role in the organization. The work load of some employees is very light, and the secretary and deputy secretary currently perform administrative work which could be delegated to subordinates. Liaison



**PRESENT ORGANIZATION  
DEPARTMENT OF  
MILITARY AND VETERANS' AFFAIRS**



with heads of the operating agencies is also insufficient. Those agencies could assume more of the tasks now being performed within the DMVA. There appears to be a tendency to make the department an operational rather than administrative headquarters, duplicating the operational structure presently found in the subordinate offices.

**RECOMMENDATIONS**

**1. Eliminate the Department of Military and Veterans' Affairs.**

Another recommendation suggests the Office of Veterans' Affairs be transferred from this department to the Department of Human Resources. If this transfer is made, the Offices of the Adjutant General and Civil Defense would be the only major operating agencies remaining in the DMVA.

The Office of Civil Defense should work closely with the Office of the Adjutant General in many emergency situations. Greater efficiency through improved coordination would result if the Director of Civil Defense reported to the Adjutant General as is the case in 23 other states. For similar reasons, the Civil Air Patrol should also report to the Ad-

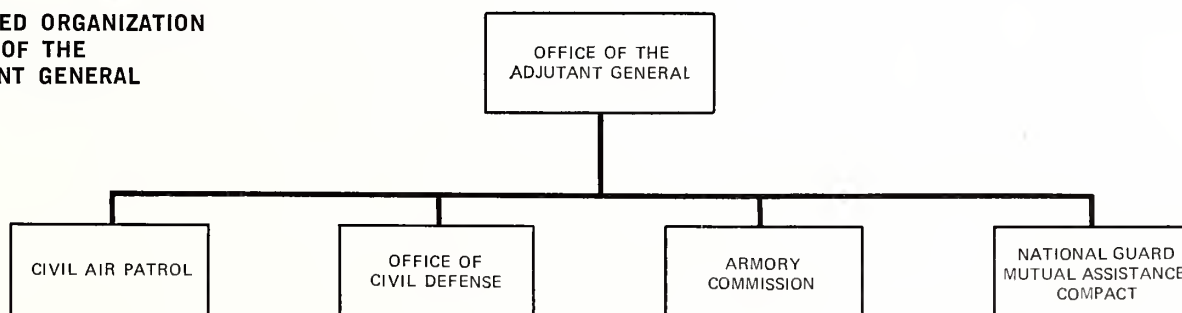
jutant General. The DMVA structure would then be superfluous and could be eliminated. As in other states, the Adjutant General should report directly to the Governor on all matters involving the National Guard, Civil Defense, and Civil Air Patrol. The proposed organization chart is below.

Savings of approximately \$134,250 annually would result from elimination of eight DMVA headquarters personnel. Some of the existing staff would be transferred to the Office of the Adjutant General.

**2. Provide centralized recordkeeping and control of all property record books.**

No property record books existed prior to the organization of the DMVA. These books are now being prepared, and the property auditors should be given responsibility for maintaining them in a central office. Purchase requisitions, receipts or invoices for new equipment could also be used to update the property record books if DMVA procurement responsibilities were given to the property auditor. This system would permit screening excess and surplus property from one office for use in another. Increased utilization of property would save \$6,000 per year.

**PROPOSED ORGANIZATION  
OFFICE OF THE  
ADJUTANT GENERAL**



## State Civil Defense Agency

This agency helps the state and its political subdivisions develop their ability to cope with emergencies and thereby minimize the effect of both natural and man-made disasters. It maintains disaster plans for the state and assists departments, agencies, and other elements of state and local government to implement disaster plans. The agency also coordinates the participation of volunteer agencies and volunteers in these plans. It assists state and local governments in training personnel and acquiring equipment and facilities to improve the ability to react to emergencies. The agency had a staff of 35 people and a budget of \$364,700 for fiscal 1973. Six area offices are located throughout the state, each headed by an area coordinator.

When civil defense plans become operational before, during, or following an emergency, the Civil Defense Director and the Governor are in direct contact. The director keeps the Secretary of the DMVA informed. At all other times, the director reports to the secretary. Through its area offices, the state agency coordinates the activities of local civil defense agencies. It also disburses federal matching funds on the local level and manages other federal grant-in-aid programs.

The agency's performance is marginal due to inadequate direction, public apathy, and lack of continuity in local governments with which it must deal. Guidance in program development is insufficient, as is coordination with state military forces. Long-range planning has not developed specific goals which reflect changing concepts of emergency preparedness at the federal level.

### RECOMMENDATIONS

#### 3. Eliminate the area offices.

At present, there are six civil defense coordinators with offices in various parts of the state. These coordinators assist county and city civil defense officials within their respective areas. After a county or locality has established a civil defense office, the need for state assistance varies. Many visits by coordinators appear to be unproductive. Planning of travel is inadequate, and the purpose of many visits is questionable. The Raleigh headquarters exercises little control and direction over the field offices.

The six area offices should be eliminated. All contact with county and city civil defense officials should be made by coordinators from the Raleigh office. With improved scheduling of visits, four area coordinator positions could be eliminated. This arrangement will enable the director to render greater supervision and assistance. While there would be an increase in travel time and expense for the two

coordinators based in Raleigh, the reduction in total salaries and elimination of six field offices would provide net savings to the state of approximately \$90,000 annually. There would be a similar savings to the federal government in matching funds.

#### 4. Eliminate the Radiological Instrument Maintenance Program.

Three electronic technicians are currently engaged in calibrating radiological instruments which detect only gamma radiation from nuclear bomb blasts. More sophisticated instruments maintained by the Board of Health are capable of detecting the alpha and beta radiation more commonly encountered in industry and transportation accidents, as well as gamma radiation. The Board of Health is also charged with maintaining safe levels of radiation. Civil Defense participation in radiological monitoring is therefore unnecessary and its program should be phased out. Annual savings from eliminating the positions involved would amount to \$43,000.

#### 5. Combine secretarial services for the director and assistant director.

The offices of director and assistant director presently each employ a secretary. These offices should be located to permit joint use of a single secretary. Elimination of one secretary would realize annual savings of \$6,300.

#### 6. Restructure the agency to combine engineering, damage analysis, and community shelter functions under one position.

The federal government no longer provides supplies for the shelter program. Also, the concept of providing shelter has changed from centralization to dispersal. Therefore, a separate section for shelter programs seems unjustified.

The functions of damage analysis and shelter planning are engineering-oriented and should be combined under the Consulting Engineer. The function of providing emergency preparedness plans should be combined with those of the Operations and Resources Officer because of the high degree of coordination needed in planning and operations. The Plans and Shelter Officer could then be eliminated, for annual savings of \$11,000.

## Adjutant General's Office

This office serves as administrative headquarters of the North Carolina National Guard, the only military force under state control. Training the guard to federal standards is a state responsibility, although it is equipped and funded largely by the federal government.

The Adjutant General is the Governor's chief military officer and administrative head of the National

Guard's 12,000 men. During state emergencies, the Governor assumes command. In a national crisis, the guard is federalized, and led by the President of the United States.

The Adjutant General's Office is staffed with 31 state employees and a group of federal personnel. For fiscal 1973, \$384,100 was budgeted for office operations from state funds, of which all but about \$36,000 was for salaries and payroll items.

There are 139 National Guard units in the state. Of these, 15 are air units and the rest are army. In fiscal 1973, \$1.04-million in state funds and more than \$22.5-million in federal funds were budgeted for guard operations.

The Adjutant General's Office is generally efficient and operates along military lines. Most of its positions require membership in the National Guard. State and federal employees work together in almost all sections. The recent reorganization which created the Department of Military and Veterans' Affairs caused some positions to be transferred from the Adjutant General's Office to the department. This has created difficulties in obtaining information.

## **RECOMMENDATIONS**

### **7. Eliminate the Assistant Adjutant General's position as a full-time state position.**

A full-time federal employee is presently designated Assistant to the Adjutant General in addition to the full-time state position of Assistant Adjutant General. Their duties and responsibilities are similar. The Assistant Adjutant General should be eliminated as a state position. However, he should remain a federally recognized general officer of the National Guard, eligible to receive federal funds for part-time duty. This will result in an approximate savings to the state of \$22,500 annually.

### **8. Stop awarding military pay during emergencies to National Guard personnel who receive state pay for the same period.**

When an emergency is declared in the state, certain key personnel of the Headquarters Detachment and local units of the guard are placed on orders which entitle them to receive military pay. Many of the civilian employees in the Adjutant General's Office are also ranking members of the guard. They continue to draw civilian pay in addition to military stipend during these periods.

Civilian employees of the office should be authorized to draw either civilian or military pay during emergencies, but not both. Any necessary travel or other expenses incurred would be reimbursed in addition to actual pay. Based on an historical average of eight emergency days per year, estimated annual savings of \$4,500 would result.

### **9. Revise the method of allocating state funds for armory maintenance and expenses.**

Under current legislation, an amount of \$3,000 per year is authorized to each armory for maintenance and payment of utilities. In many instances, this amount is inadequate. Presently, only \$1,500 is actually funded to the armories, although some receive additional local monies.

A sliding schedule of payment should be substituted for the flat rate. This schedule should be based on need and should consider such factors as area of facility, age of structure, amount of local financial assistance received, and record of amounts previously spent. Lack of sufficient money to operate these armories can only result in heavy maintenance costs at some later date. Therefore, any additional current expenses would be offset by future cost avoidances.

### **10. Eliminate the Director of Training.**

The office presently has a federal employee designated as Training Administrator as well as a state position of Director of Training. Their duties and responsibilities are substantially the same. The state director should be eliminated by attrition and his duties assumed by the federal administrator. Annual savings would be about \$20,000.

## **Department of Veterans' Affairs**

This department assists veterans and their families in obtaining benefits to which they are entitled by federal, state, or local laws. The work of this department supplements the individual efforts of veterans. In addition, it cooperates with various governmental units and other organizations seeking to serve veterans from the state.

Veterans' Affairs was created by the 1945 General Assembly. Previously, the Department of Labor had assisted war veterans in securing their claims against the federal government. The Board of Veterans' Affairs sets policy and reviews activities of the department. The board has 10 members, of whom five are appointed by the Governor and five are state commanders of major veterans' organizations. The department is financed entirely by the state and had a budget of \$935,000 for fiscal 1973. There are 15 district offices and 94 county officers, a service office in Winston-Salem, and an administrative office in Raleigh.

A director is selected by the Board of Veterans' Affairs, with the approval of the Governor. The director's office is chiefly concerned with administration, training, and information. The service office in Winston-Salem represents veterans to the federal Veterans' Administration, and reviews files for the district service officers. The 15 district offices, lo-



cated throughout the state, provide service directly to veterans and their dependents. Each office is staffed by one or two service officers and their clerical assistants. In addition, the district officers coordinate the activities of affiliated county officers within their districts.

There is some duplication of effort among state and county veterans' affairs officers. The county officers are appointed by county governments and assist in easing a work load which would otherwise require additional state officers. However, their effectiveness varies considerably, and many contribute very little to the service effort.

Since Veterans' Affairs is not an operational agency, such as the National Guard or Office of Civil Defense, there is a tendency to exclude it from the planning and coordination activities of the Department of Military and Veterans' Affairs (DMVA). Consequently, Veterans' Affairs operates with very little direction from the DMVA and, in fact, has suffered lower morale as a result of being included in this military-oriented department.

## **RECOMMENDATIONS**

### **11. Transfer Veterans' Affairs to the Department of Human Resources.**

Veterans' Affairs is incompatible with the primarily operational organizations which are now part of the DMVA. The office is concerned primarily with assisting people and is closely related to the activities of the Department of Human Resources. Veterans are often referred to various offices of that department for social services.

Veterans' Affairs should be transferred to the Department of Human Resources for greater efficiency of operation. Some opposition has been voiced to associating the organization with welfare. However, this objection has no substance, since Veterans' Affairs would remain a separate entity. Units should be relocated to existing offices of the new department. By combining offices, estimated savings in rent and office repairs of \$33,000 could be achieved. In addition, clerical assistance could be better utilized by pooling.

### **12. Provide a centralized, protected storage space for veterans' records.**

Each of the 15 district offices stores all files pertaining to each veteran in the district. These files have accumulated since about 1930, and many have been inactive for years. Considerable storage space and a large number of file cabinets are required in each office for these records. Some records contain information from the federal Veterans' Administration that is considered privileged, or highly confidential. However, security in most offices is minimal. In

addition, although records would be very difficult to reconstruct if destroyed, there is generally little fire protection afforded in the various buildings where records are located.

A centrally-located storage area should be established for veterans' files inactive for a year or longer. Should a file again become active, the district office could quickly retrieve it from the central storage location. This would be accomplished through use of small index cards listing the files sent to central storage. While a slight delay may result before the file is in the hands of the district officer, the resulting increased security and fire protection are of much greater importance. Decreased requirements for file cabinets and storage space in the district offices will result in savings of approximately \$2,500 annually. However, these savings are not claimed.

### **13. Eliminate grants of \$1,000 for support of county veterans' affairs officers.**

The state grants each county \$1,000 annually to assist in the support of county veterans' affairs offices. The counties must apply for the grant each year. Counties are not held accountable for use of the funds, nor does the state monitor their use.

Some counties must be reminded each year to file an application. Furthermore, county officers' effectiveness varies considerably. In some instances their duties are part-time and their value is minimal. Six counties do not have offices and do not receive the grant.

The grant appears to be of little value in encouraging appointment of competent county officers and should be eliminated. This will provide savings of \$94,000 annually.

### **14. Eliminate the positions of Administrative Officer and Administrative Assistant.**

The administrative headquarters work load does not justify both an Assistant Director and Administrative Officer. Therefore, the position of Administrative Officer should be eliminated and its duties assumed by the Assistant Director. This would result in a saving of \$12,000 per year.

Also, the primary function of the Administrative Assistant is purchasing. This task would be performed more efficiently by the proposed central purchasing office. Personnel records of this office now maintained in the DMVA, plus leave records now maintained by the Administrative Assistant, should be combined and centrally located at a higher administrative level. Subsequent elimination of the Administrative Assistant would provide annual savings of \$9,000. Combined savings from these reductions would be \$21,000 annually.

# Department of Commerce

This department performs management functions for 10 divisions. Its duties include staffing, directing, coordinating, reporting, and budgeting. However, these divisions have authority to employ, direct, and supervise professional and technical personnel. Also, they are not accountable to the Secretary of Commerce in the exercise of their quasi-judicial, statutory authority.

## CURRENT OPERATIONS

In 1971, certain previously autonomous commissions, agencies, and boards were transferred to the newly formed Department of Commerce. These include the Utilities Commission, Industrial Commission, Banking Commission, Employment Security Commission, Savings and Loan Division, Burial Commission, Credit Union Division, Board of Alcoholic Control, Milk Commission, and Rural Electrification Authority. Their specific activities are treated elsewhere in this report. Accounting personnel and purchasing functions of all except the Employment Security Commission have been centralized.

The administrative section, with a staff of 11, operates under direct supervision of the Secretary of Commerce, who is appointed by the Governor for a term of 4 years. His staff includes the Deputy Secretary, Assistant Secretary for Administration, and Budget Officer, as well as eight accounting and secretarial personnel. The administrative section had a budget of \$125,000 for fiscal 1973. This amount included salary and related benefits for the secretary and four of his immediate staff. The other seven individuals are funded by the various divisions.

## EVALUATION

The administrative personnel are experienced and the turnover rate has been low. Day-to-day operations are fluid, and responsibilities are well defined. The logistical problem of having 10 divisions scattered over seven locations does cause some communication and document flow difficulties. Close accounting controls are maintained over budgeted funds and expenditures, but most accounting records are manually maintained.

## RECOMMENDATION

### 1. Consolidate the nine divisions.

Currently, nine divisions of the department are scattered through Raleigh in six different locations. This arrangement hinders communication, control, and workflow.

All nine divisions should be consolidated in one location. This would require about 47,000 square feet of working space. Four divisions are currently in state-owned buildings. Moving to another facility would thus free about 27,000 square feet of space in the Motor Vehicles Building, Labor Building, Albemarle Building, and Ruffin Building. Transferring the other five agencies, plus the administrative section of the department, would reduce lease expense by \$93,000 per annum. This savings is claimed elsewhere. Additional savings of \$25,200 would be realized through elimination of four receptionists. A reduction of space requirements by 5,000 square feet would provide further annual savings of \$10,000 for a total of \$35,200 claimed.

## Regulatory Groups—State-Funded

Three regulatory groups within the Department of Commerce are funded by the state. They are the Utilities Commission, Industrial Commission, and Rural Electrification Authority.

The Utilities Commission is responsible for maintaining an efficient system of utilities, fixing and regulating rates, conducting formal hearings, and issuing written decisions. It also investigates customer complaints dealing with utility operations and service. The commission's organization includes engineering, legal, accounting and economics, as well as motor transportation and traffic departments. Its staff totals 90 employees, and the operating budget for fiscal 1973 was \$1.35-million.

The Industrial Commission has responsibility to administer the Workmen's Compensation Act, hear and process tort claims against state departments and agencies, as well as preside over claims filed under the Firemen's, Rescue Squad, and Law Enforcement Officers Death Benefit Acts. Personnel include 66 employees in areas of administration, claims examination, statistics, and safety supervision. All employees are located in Raleigh, with the exception of two safety representatives. Budgeting for this commission for fiscal 1973 was about \$840,000.

The Rural Electrification Authority secures and promotes electrical and telephone service for rural areas of the state. The staff is located in Raleigh and includes the Public Utilities Engineer, Rural Electrification Administrator, Consulting Engineer, and two stenographers. The budget for fiscal 1973 was \$105,000. Specific duties of the authority include investigating applications for services, assisting in the formation and operation of membership corporations,



securing rights-of-way, investigating complaints, advising improvements, and working with managers and boards of directors on operating problems.

On the whole, the state-funded regulatory groups are functioning efficiently. To meet its increasing work load, the Utilities Commission staff continues to grow, straining the physical limitations of the present facilities. The Industrial Commission's work load has also steadily increased over the years as the state has experienced industrial growth. The number of employees has not shown corresponding growth, and the commission has not developed a first-rate statistics section. Also, younger people are not being trained to move into key positions which will soon be open due to retirements.

In contrast, the work of the Rural Electrification Authority is declining. Because 99% of rural homes now have electric power, the authority is now more concerned with upgrading service than establishing local corporations. The present staff performs this task effectively, even though the chairmanship is vacant.

## **RECOMMENDATIONS**

### **2. Charge \$1 for registration stamps issued by the Utilities Commission for annual common carrier motor vehicle registration.**

Currently, \$0.25 is collected from motor carriers upon issuance of an annual renewal stamp for each vehicle previously registered. The same amount of administrative work is involved for both renewals and original registrations. The renewal fee should be raised to \$1 per vehicle to cover the associated cost. Approximately \$25,000 in additional annual income will result.

### **3. Transfer duties of the Industrial Commission's safety division to the Department of Labor.**

Recent legislation requires the Department of Labor to establish a safety training section. This would duplicate functions of the Industrial Commission's safety division. Personnel of this safety division should be transferred to the Department of Labor, resulting in an annual cost avoidance of \$68,000.

### **4. Improve statistical reports developed by the Industrial Commission.**

The present statistics being developed by this commission's statistics section appear inadequate when compared to the wealth of data available. A study should be made of states with outstanding industrial statistics sections, and their better features should be adopted. Better statistics are especially needed in consideration of rules and regulations for hazardous occupations. No savings are claimed, but the quality of service would be improved.

### **5. Change the position of Chairman of the Rural Electrification Authority to a part-time status.**

The present staff can absorb the work formerly done by the chairman. The local electric corporations have advanced to the point where technical aid and advice is needed, rather than administrative help. The authority should continue to elect a chairman to preside at its meeting, but the position would be part-time. He would be paid on a per diem basis as are the other authority members. The Public Utilities Engineer would be in charge of the staff. Elimination of the full-time position would provide annual savings of \$15,000.

## **Regulatory Groups — Non-State Funded**

Five regulatory groups within the Department of Commerce are funded by regulated organizations rather than by state government. These include the Banking Commission, Savings and Loan Division, Burial Commission, Credit Union Division, and Milk Commission.

The Banking Commission regulates state-chartered banks and consumer finance licensees to ensure compliance with statutory requirements and protection of the interests of depositors, creditors, stockholders, and the general public. Total staff consists of 33 employees, including 23 bank examiners, the commissioner and his deputy, a consumer finance administrator, and seven clerical and secretarial support personnel. The commission had a budget of about \$588,700 for fiscal 1973, all of which was derived from assessments and fees. Each bank, branch bank, and consumer finance company is examined at least once yearly. Bank examinations are performed jointly with federal examiners.

The Savings and Loan Division is responsible for regulating state-chartered savings and loan associations. It verifies compliance with statutory requirements and ensures protection of the interest of savers, borrowers, and the general public. Day-to-day activities are under the control of an administrator, who determines the solvency of each institution, collects stock and excise taxes due the state, investigates and determines the feasibility of chartering new associations or merging existing institutions, approves conversions to federally chartered institutions, and acts as an investigative and enforcement agent. The division employs 12 individuals. It had a budget of \$199,100 for fiscal 1973. This does not include fiscal examiners' travel and expenses, which are paid weekly by the associations examined. Each of the 141 associations is examined annually. The division also controls the processing, checking,



and receipt of excise tax returns along with associated remittances.

The Burial Commission regulates the operations of mutual burial associations and perpetual care cemeteries in the state. Mutual burial associations furnish benefits ranging from \$50 to \$200 per member to be used for burial expenses. The Burial Association Commissioner's staff includes an administrative secretary, a stenographer, and three auditors. The budget for fiscal 1973 was \$95,000, entirely derived from assessments.

The Credit Union Division administers the laws and regulations governing state-chartered credit unions. The administrator of the division is appointed by the Secretary of Commerce. Seven examiners audit the 223 state-chartered credit unions at least once a year. Operating expenses for fiscal 1972 amounted to \$155,100, which was completely reimbursed by assessments. At the end of fiscal 1972, a reserve of \$211,276 reflected an excess of assessments over operating expenses. Therefore, fees for fiscal 1974 were reduced.

The Milk Commission was created to assure a uniform and adequate supply of wholesome milk. It regulates the milk industry to suppress unfair and destructive trade practices in the production, marketing, and distribution of milk and milk products. An executive secretary, appointed by the commission, directs the activities of 12 full-time employees. The budget for fiscal 1973 was \$300,000, exclusively from assessments. The Milk Commission, after investigation and public hearings, has adopted marketing regulations which affect distributors and processors in their dealings with producers or dairy farmers. These include minimum prices to be paid the dairy farmer or producer as well as fair trade practices to prevent milk from being sold below cost. Enforcement involves a regular audit and investigative program to determine compliance.

Performance of the non-state funded regulatory groups is generally good. The Banking Commission supervisory and examiner staff is qualified and experienced. Cooperation with federal examiners minimizes the time spent on each bank. The Savings and Loan Division has grown up with the savings and loan industry in the state, from \$102-million in total assets in 1945 to \$2.5-billion in 1971. Such fantastic expansion, coupled with increased complexities in operations, requires a knowledgeable staff and administrator to meet the constant challenges of regulation. Recurring training of examiners is weak. Examination approaches need to be reviewed and updated to determine how best to satisfy regulatory requirements.

A 1971 report on the Burial Commission listed several areas in which irregularities existed. These in-

cluded insufficient active membership in some mutual burial associations as well as inadequate record-keeping and cash shortages in both burial associations and perpetual care cemeteries. Some of these problems still exist.

Administration of the Credit Union Division is accomplished in a professional manner. Staff utilization and costs appear reasonable. The Milk Commission is also functioning well. Its staff is experienced, and turnover of personnel is relatively low.

## RECOMMENDATIONS

### **6. Implement the recommendations presented in a recent study of Banking Commission office procedures.**

In 1972, a study of office procedures within the Banking Commission was completed by the Department of Administration. Numerous recommendations were made regarding accounting and administrative procedures. However, very few of these have been effected. The recommendations are valid and should be implemented. Potential savings have not been estimated.

### **7. Develop a program for savings and loan examiner training.**

Present training of examiners in the Savings and Loan Division is inconsistent. Not enough money is funded to provide continuing education. Proper regulation demands a knowledgeable examiner staff, thoroughly versed in recent trends and techniques. Therefore, a formal, continuing training program should be developed and administered. Various available resources should be utilized, such as correspondence courses, seminars, as well as public accounting, federal, and savings and loan league programs. Annual costs of about \$10,000 would be incurred.

### **8. Stop licensing new mutual burial associations.**

Membership rolls of these associations are declining, as more citizens use other means to meet burial expenses. Other states have enacted legislation halting the licensing of new associations. North Carolina should follow suit and the Burial Commission should be phased out. No savings are claimed.

### **9. Transfer the auditing of mutual burial associations and perpetual care cemeteries to another group within the department.**

In most instances, trust funds for perpetual care cemeteries are being managed by bank trust departments. While this is not true for burial associations, a more independent auditing group could ensure better maintenance of association records. This auditing function should therefore be transferred to the Banking Commission, or to another group within the department. The three public accounts auditors

of the Burial Commission could then be eliminated for annual savings of \$38,000. No additional staff would be needed in the acquiring group.

#### 10. Eliminate one auditor position in the Milk Commission.

An auditor's position in the Milk Commission is presently vacant. Since the number of distributors to be audited is expected to decline, the present staff should be able to manage the work load. Therefore, the vacant position should be eliminated, for an annual cost avoidance of \$11,000.

### Board of Alcoholic Control

The Board of Alcoholic Control enforces state laws and regulations applicable to alcoholic beverages. This responsibility includes control over their sale, purchase, transportation, manufacture, as well as possession.

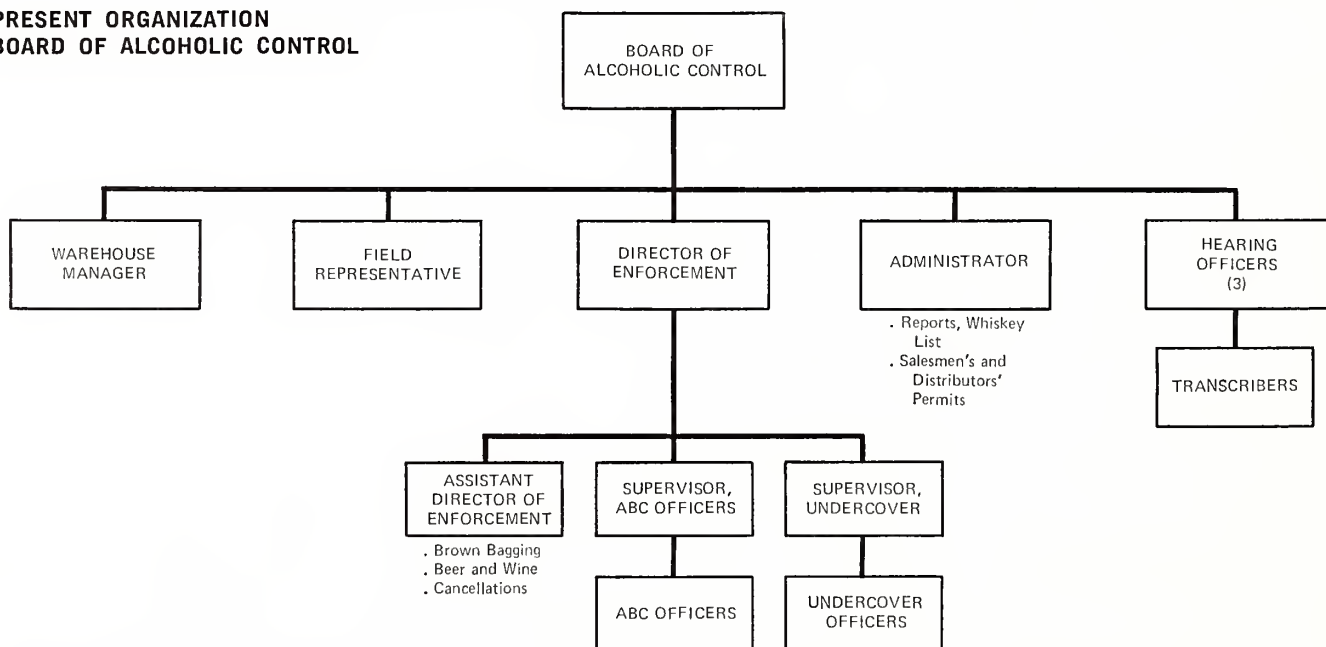
The board consists of three members appointed to 4-year concurrent terms at the pleasure of the Governor. The chairman of the board devotes full time to his official duties; the associate members serve part-time and receive no compensation for their services, except for per diem, subsistence, and travel allowances. The board performs licensing, inspection, enforcement, warehousing and distribution, and other duties according to statute. Monthly hearings are held before the Board of Alcoholic Control for violations, licensing appeals, and various other judicial proceedings.

Presently, the board utilizes a leased warehouse for control and distribution of liquor throughout the state. Liquor is shipped to the warehouse, stored, and distributed to 117 autonomous local systems by a contract carrier. The state does not purchase the liquor; title passes directly from the distiller to the municipal or county system. The board receives a bailment from each local system to defray costs.

The board employs about 95 people and operates on a budget of more than \$1-million. Of its employees, 72 are Alcoholic Beverage Control (ABC) officers located in six geographical districts. The officers are armed and have the full power of law enforcement officials to seek out and arrest violators. Total sales of liquor for fiscal 1972 amounted to \$185-million. Of this, approximately \$34-million accrued to general funds in the form of a state tax on liquor sales. Approximately \$20-million was retained by the localities. In addition, \$95,150 was collected on 6,997 beer and wine permits. A total of \$205,000 was received for 738 new brown bagging permits and 3,480 renewals. At the close of fiscal 1972, there were 20,180 beer and wine permits and 4,218 brown bagging permits outstanding. The total number of outstanding permits increases approximately 10% each year.

Since the board's formation in 1937, various functions have been added as needs developed. Lines of responsibility are nebulous, and communications and coordination are inadequate. A complete turnover in the board every 4 years creates continuity

#### PRESENT ORGANIZATION BOARD OF ALCOHOLIC CONTROL



problems. Training of ABC officers is not systematic. The officers in the field generally spend more time in routine investigatory work than in law enforcement. Equipment and pay grades are not equivalent to those of other agencies of similar responsibilities and powers. The volume of work in the permit sections continues to increase annually, but office procedures remain manual and cumbersome.

The state board has no power to dictate policy for local systems. However, the operations of the 117 county and municipal boards were also appraised. North Carolina is the only state in the nation which has such a decentralized arrangement for the retailing of liquor. The total operation is characterized by accounting and administrative duplication, lack of standardization, and differing law enforcement objectives. The system is also political in nature, since local board members are appointed by the unanimous nomination of the county or municipal school board, board of public health, and commissioners. The local ABC boards are adamantly opposed to state control of their activities. While outside the scope of this study, thorough analysis should be made of the present system. Preliminary examinations show about \$2.2-million per annum is expended on duplicated accounting, administrative, sales, and enforcement functions.

## RECOMMENDATIONS

### 11. Restructure the existing organization.

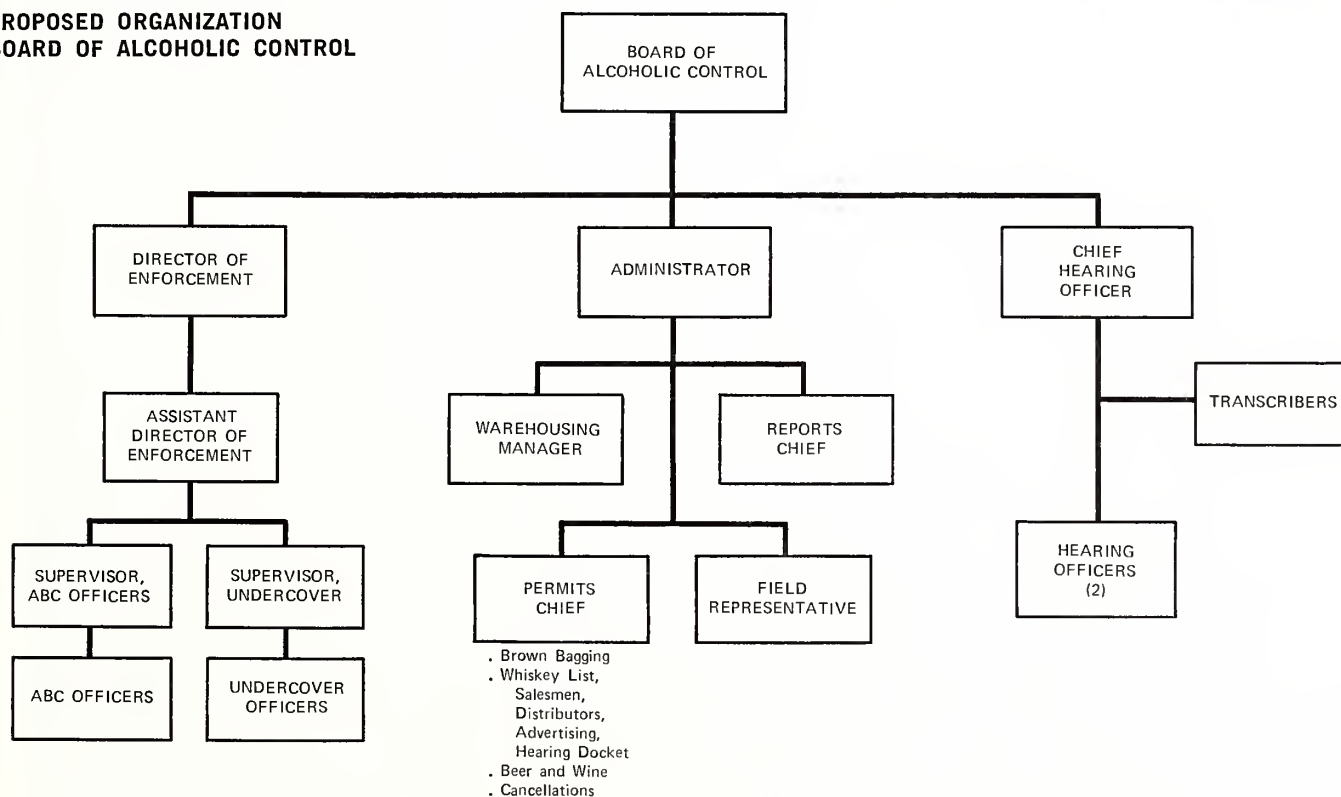
The present organization, shown in the chart to the left, reflects the piecemeal growth of the board. Functions have expanded into unrelated areas without regard to their proper place in the overall structure. Lines of responsibility are not properly defined. Communications between and within functional units are awkward.

Incorporated in the proposed organization chart, depicted below, are the following suggestions:

- ▶ Restructure existing areas in order to combine the related functions of permit approval, processing, issuance, and renewal under the administrator, thus removing them from the law enforcement area.
- ▶ Utilize the field representative, also under the administrator, as a liaison between the state board and the municipal and county systems.
- ▶ Designate a chief hearing officer to distribute assignments, supervise the Hearing Section, and coordinate with other areas.

In addition, board policy should be published and distributed to all law enforcement officers. Better

## PROPOSED ORGANIZATION BOARD OF ALCOHOLIC CONTROL





standardization in enforcement, communication between officers and the board, and morale in the field could thus be achieved. Implementation would not increase personnel requirements or costs. General operating efficiency would be improved by a more orderly arrangement of functions and better definition of responsibility.

**12. Reduce the number of automobiles assigned to personnel at the main office.**

Currently, there are six automobiles assigned to individuals working in the main office. A review of miles traveled showed that two of these vehicles were not substantially utilized on trips other than to and from work. Four permanently assigned units should provide adequate transportation for business purposes. Elimination of two automobiles will result in annual savings. The amount is claimed elsewhere.

**13. Increase the fee for retail beer and wine permits and establish a reasonable charge for annual renewal.**

The assessment for retail beer and wine permits is low in terms of the costs associated with application processing, issuance, and recurring administration. Currently, costs exceed revenues by approximately \$315,000 annually. The fee for beer and wine permits should be raised from \$25 to \$50. In addition, there should be a \$10 levy for annual renewal of these permits. Implementation will result in additional income of \$315,000 per annum.

**14. Develop and administer initial and recurring training programs for ABC officers.**

No formal training is currently available to ABC officers in the field, nor has there been such training in the past. A new officer is put on his own after about 2 or 3 days of introduction in Raleigh and 2 or 3 weeks in the field with a veteran officer.

ABC officers are charged with the full responsibilities and powers of law enforcement officers. Therefore, it is imperative that a formal and continuing program be developed to thoroughly familiarize all officers with the laws, administrative duties, enforcement techniques, and overall scope of their work. A training program will be expensive, but federal funds are available to fully defray such costs under the Law Enforcement Assistance Act. Estimated costs are \$100,000 annually.

**15. Schedule hearings at the local level.**

All hearings on violations and permit rejections are presently conducted in Raleigh. ABC officers and state witnesses come to Raleigh at the state's expense. Defendants travel on their own. Hearings should be scheduled at the local level to reduce expenses and lost time. Such scheduling would improve public relations and reinforce law enforcement at the local level. The estimated reduction in

expenses of state witnesses, net of expenses projected for travel by hearing officers, would provide savings of \$13,000.

**16. Stagger the terms of board members.**

This may be the only board in state government which regularly experiences a complete turnover of members. Continuity in policy, procedures, and operations is jeopardized when a new board assumes control every 4 years. The terms of members should be staggered to minimize changeover problems and inefficiencies.

**17. Develop long-range alternatives to fulfill the responsibility of state warehousing and distribution of liquor.**

The board supervises warehousing and distribution for a fee from the local systems, which cover costs. The present system was intended to be temporary, although certain commitments have been made for at least a year.

Facilities are adequate and the proposed budget appears reasonable. If properly implemented, procedures and inventory controls should be effective. However, due to the temporary nature of the current operation, it is essential that the board research all feasible alternatives to meet future demands. Possibilities include:

- ▶ Expand the current operation to include more warehouse space, and obtain more favorable leasing arrangements with long-term options.
- ▶ Contract warehousing and distribution functions by bid to third parties acceptable to the board.
- ▶ Build or purchase a warehouse to meet projected needs.

**18. Utilize lower-level personnel in the metropolitan areas to conduct investigatory work on permit applications.**

At present, approximately 60% of a metropolitan ABC officer's time is occupied with investigatory work on permit applications. If less costly personnel were available, these investigations could be conducted more economically and ABC officers would be free to concentrate on law enforcement. Eight ABC officer positions are authorized and unfilled. These vacancies should be filled by lower-salaried personnel. An annual cost avoidance of approximately \$22,000 would result, as well as much needed enforcement improvements.

**19. Delist slow-moving items.**

There are presently over 750 items on the approved whiskey price list. In comparison, Virginia, which also has state control of alcoholic beverages, has approximately 500 items on its approved list. An

examination of 1972 sales by brand revealed approximately 200 items which should be delisted because of low sales volume. Taking this action would reduce administrative effort, increase warehouse space available for more popular brands, cut inventory levels, and tie up less money in slow-moving items.

**20. Utilize Highway Patrol maintenance facilities for servicing ABC officers' vehicles.**

All vehicles assigned to ABC officers scattered throughout the state must be returned to the Central Motor Pool in Raleigh for servicing, repair, and inspection throughout the year. This causes lost time, inconvenience, and unnecessary expense. The Highway Patrol operates district maintenance facilities on a geographical distribution similar to the ABC districts. These maintenance stations should be made available to the ABC officers. Such a service would not increase the hourly work load of Highway Patrol mechanics, since some excess capacity does exist. A cost avoidance of \$17,000 could be realized in reduced travel expenses and elimination of one ABC officer from future requirements.

**21. Encourage rescheduling of working hours to reduce the total work force.**

Local system stores are generally staffed without regard to peak periods, and there is significant overlap in work shifts. Each system should record unit sales by hour in each store during a test month. These data would permit analysis to determine the proper work force and hours of operation for each store. By adjusting staff and hours, estimated annual savings of \$792,000 could accrue to the local systems without loss in sales volume. However, these savings are not claimed.

**22. Promote conversion of high-volume retail outlets to self-service stores.**

Of 323 ABC retail outlets in the state on June 30, 1972, only 39 were self-service. Local systems should be encouraged to convert to a self-service format in 69 high-volume outlets. This would reduce personnel required, increase efficiencies, reduce salary expense, and provide a service which is desired by the public. Savings would approximate \$675,000, offset in the first year by an estimated one-time cost of \$483,000 for conversion. Since savings would be attributable only on a pro-rated basis to those stores which convert, no saving is being claimed.

## **Employment Security Commission**

Created by the General Assembly in 1936, this commission coordinates state participation in the federal unemployment insurance program. It also administers other federal programs in which unemployment insurance or other types of allowance

payments are made, such as Manpower Development and Training Act (MDTA) activities and the Work Incentive Program (WIN). A further responsibility is providing job placement and training for unemployed workers. Offices are staffed and maintained throughout the state for these purposes.

The Employment Security Commission includes seven members appointed by the Governor for 4-year terms. All members serve part-time, except for a chairman who is designated by the Governor and functions as full-time chief officer of day-to-day operations.

The commission has three functional divisions: Unemployment Insurance, Employment Service, and Administrative Services. Unemployment Insurance administers programs to maintain income during periods of involuntary unemployment for eligible individuals. Its 415 employees perform claim verification and payment, data processing, as well as employee and employer accounting and audit operations. Employment Service promotes a high level of employment by seeking to place unemployed persons in jobs. Its 1,010 employees are stationed in local offices throughout the state. The 112 Administrative Services employees provide fiscal, administrative, and personnel support.

Benefits are paid to qualified individuals out of the Unemployment Insurance Fund, which is derived primarily from a tax imposed on qualified employers. The first \$4,200 of each employee's wage is assessed at a rate of 2.7%, adjusted by an experience rating. Contributions from employers are collected quarterly and transmitted to the Secretary of the United States Treasury, who credits them to the state's account in the Unemployment Trust Fund. As of February 28, 1973, this account had a balance of \$458.5-million. Contributions from employers for the 12 months ended February 28, 1973, amounted to \$46.7-million. Benefit payments for the same period aggregated \$34.9-million. Operations of the commission are funded by the federal government, and its budget for fiscal 1973 amounted to \$17.2-million. There are currently 64 local offices in cities and communities throughout the state, 85 itinerate points where claims may be filed, as well as temporary facilities at mass layoff sites.

Administration of federal programs by the commission is sound in most areas, despite less than favorable overall conditions. Employees are experienced, talented, and devoted, but recruiting is hindered because of inequities in job classifications and compensations. Entry level has historically been at the first position grade level, regardless of experience, and employees generally lack promotional mobility.



Management lacks a modern business philosophy. Senior managers take an inflexible stance on decision-making, and most communication is downward. There is no mandatory retirement age and little systematic management development.

Some units are overstaffed, and others are understaffed. Administrative units are underutilized in such areas as training, systems review, implementation of new programs, planning, as well as policies and procedures.

## **RECOMMENDATIONS**

### **23. Transfer the Automated Data Processing Department from Unemployment Insurance to Administrative Services.**

The earliest applications of automated data processing (ADP) equipment were related to unemployment insurance. Hence, it seemed logical to place the data processing function within the Unemployment Insurance Division, which has remained a prime user. In recent years, the ADP Department has acquired complex third-generation computer equipment and has extended its services to all areas of the commission. In order to ensure all areas receive equitable service, the ADP Department should be transferred to Administrative Services, which is an agency-wide service organization.

### **24. Transfer the Wage Report and Delinquency Control Unit to Unemployment Insurance, and realign the Key punch and Tabulation Equipment Units to report to the Computer Operations Manager.**

The commission's ADP Department has two managers. One is responsible for the Wage Report and Delinquency Control, Key punch, and Tabulation Equipment Units, and the other oversees all other duties related to computer operations.

The Wage Report and Delinquency Control Unit is responsible for ensuring the accuracy of wage information. It is data- or application-oriented rather than service-oriented, as are other entities in the data processing organization. It should be transferred out of the Automated Data Processing Department and placed under the supervision of a more appropriate unit within the Unemployment Insurance Division.

The Key punch and Tabulation Equipment Units provide agency-wide service and logically fit within the ADP Department. These units should be realigned under the Computer Operations Manager to give him complete control over operations.

Implementation would allow elimination of one data processing manager, a subordinate supervisor, and two clerical positions. Annual savings of \$43,400 would result.

### **25. Reduce the daily computer work load by consolidating jobs which could be accomplished satisfactorily on a less frequent basis.**

The computer operates three 8-hour shifts per day, 5 days a week, at near capacity. Under the current operating scheme, it would be impossible to accommodate additional major systems on the existing machine.

Several major systems which are currently being run daily should be run on a less frequent basis by consolidating several days' work. An estimated 38 hours per week, or roughly one shift of computer time, could thereby be saved.

The ADP Department plans to install two major systems, Job Bank and Applicant Data. These systems will require a total of 8 hours of computer time per day. To accommodate these new systems, the department is upgrading its machine and expanding its computer room.

Installation of additional equipment, together with consolidating runs, should speed up current computer processing time and allow one shift to be phased out. As a result, two machine operators could be eliminated, for an annual saving of \$21,300.

### **26. Convert data processing applications currently being run on tabulation equipment to the computer.**

Several data processing applications are run on leased tabulation equipment, even though the division has modern third-generation computer equipment and a full systems and programming staff. These applications should be converted to the computer. Implementation would result in elimination of the agency's tabulation equipment and at least one data processing employee for annual savings of \$14,600.

### **27. Employ rental and third-party lease arrangements rather than direct purchase in the acquisition of computer equipment.**

The commission presently owns the bulk of its major computer equipment, with an investment of about \$1-million. However, computer technology is rapidly changing, and determining future ADP requirements is becoming more difficult. Most businesses have found it wise to rent or lease ADP hardware. By purchasing computer equipment, this division has severely limited its expansion capabilities. Its computer was purchased in 1970 and is already operating at near capacity. Current expansion efforts involve the purchase of a data recall core addition at a cost of \$36,000. With purchased equipment, this was the only feasible way to obtain increased capability. Acquiring another computer might have been a better solution, if the division had been renting its current equipment and had such an option.



In the future, equipment should be acquired under rental or lease agreements. No savings or cost are claimed.

**28. Encourage automated reporting of wage information by major employers.**

All employers within the state are required to furnish a quarterly list of their employees and the wages paid to each. These lists are used by the commission to determine eligibility and benefit amount for unemployment insurance claims. Currently, the agency maintains wage information on 2.4-million employees received from 90,000 employers on its automated wage reporting system. Most companies provide this information by means of a hard copy list. However, in recent years, a few companies have supplied reports in automated form, such as key-punch cards or magnetic tape. These are directly acceptable to the automated system and eliminate the need for keypunching.

The commission should actively solicit automated wage reports from major employers with ADP capabilities. An estimated 900 employers in the state, with 530,000 employees, could provide automated information.

Implementation in these cases would allow the agency to release at least four persons and realize annual savings of \$26,900 in personnel and equipment costs.

**29. Improve security and fire protection in the computer room.**

At present, no physical barrier prevents the entry of unauthorized persons into the computer room area. The room is exposed to the outside by unscreened ground level windows, and the entry door to the computer area is unlocked during hours of machine operation. Fire protection is provided by means of small fire extinguishers.

As part of the expansion project currently underway, a locking system should be installed on entry doors and protective screens placed over outside windows to prevent unauthorized entry. Methods of improving protection against fire should also be explored, possibly to the extent of installing a fire detection system.

**30. Consolidate the main supply rooms.**

The supply room currently occupies 1,800 square feet of space in the basement of the Raleigh Central Office. In addition, 5,600 square feet of space is leased elsewhere at a cost of \$8,000 per annum for storing bulk commodities. The supply room is totally inadequate to control and safeguard all supply items. Basement halls are lined with the overflow of paper, envelopes, punch cards, and various supplies which cannot be accommodated. The supply room makes

distribution to 64 local offices as well as the central office. Trips back and forth from the leased facility to restock items are frequent and require the equivalent of one clerk's time.

The supply room and bulk storage area should be consolidated in the renovated building adjacent to the central office. This will provide better control and more efficient distribution. Annual savings of \$14,300 would result from eliminating one supply room position and terminating the lease.

**31. Perform addressing and check writing functions on the computer.**

With increased utilization of the computer, the commission's addressing equipment has become obsolete. All addressing functions could easily be performed by computer with no increase in work load. Manual check writing functions presently carried out in the addressing unit should also be computerized. Selling the addressing equipment would provide a one-time income of \$1,000, while eliminating two employees in the unit would result in annual savings of \$14,000.

**32. Restrict issuance of debit or credit memos to amounts of \$5 or more.**

Currently, approximately 32,000 debit and 36,000 credit memos are processed annually. They are issued for various reasons, including improper payments, mathematical errors on quarterly reports, field examination results, and incorrect data on quarterly reports corrected by employers. The estimated cost for each memo is \$7.

Issuance should be limited to amounts of \$5 or more. About 40% fewer memos would then be issued, allowing elimination of two employees. Annual savings of \$13,000 would result.

**33. Reassign office space to improve utilization of stenographic personnel.**

The Director and Assistant Director of Unemployment Insurance are located in offices at opposite ends of the building. They should share adjoining offices and utilize two secretarial positions rather than three, as at present. Elimination of the third secretary would result in annual savings of \$6,300.

**34. Combine the Systems and Procedures Unit of Unemployment Insurance with the Management Analysis Unit of Employment Service and place the consolidated unit under Administrative Services.**

These systems units study and help formulate improved methods of operation for their respective divisions. The two units should be combined and placed within Administrative Services. This realignment would facilitate studies which cross functional and organizational lines, as well as permit continu-

ing management analysis to ensure sound work methods. Annual savings of \$18,000 would result from elimination of a unit supervisor's position.

**35. Purchase dictating equipment for use in the counsel's office.**

The counsel's office is staffed by three attorneys, three secretaries, and a court reporter. By purchasing

dictating equipment and contracting the approximately 60 hours per year of court reporting work, the court reporter and a secretary could be eliminated, for annual savings of \$21,000. The one-time cost of dictating equipment would be approximately \$2,000. Costs for contracting the court reporter's work have not been estimated, since arrangements could be made within the department.

## Department of Labor

The Department of Labor, established in 1887, is a regulatory and protective agency. By statute it is responsible for promoting the health, safety, and general well-being of the industrial population of the state. General statutes provide its commissioner with broad regulatory and enforcement powers.

### CURRENT OPERATIONS

The department administers laws governing occupational safety and health; boiler and pressure vessel inspections; elevator inspections, including riding devices and ski-lifts; mine and quarry inspections; construction safety; licensing of private employment agencies; child labor; maximum hours; and minimum wages. In addition, it provides a conciliation and arbitration service, trains apprentices, collects and compiles labor and industrial statistics, produces labor law publications, and performs research.

The commissioner is elected by the people for a term of 4 years, concurrent with the term of the Governor. He is a constitutional officer and one of the 18 members of the Governor's cabinet. The department currently has 116 full-time employees, but this is expected to increase for fiscal 1974 because the department has been approved by the U. S. Department of Labor to administer the Occupational Safety and Health Act. Actual state expenditures for fiscal 1972 were \$1.45-million and are estimated at \$1.47-million for fiscal 1973.

### EVALUATION

At the outset of this study, the Commissioner of Labor had recently assumed his position. Past administration of the department has been lax. Division directors have not been involved in day-to-day decisions, seriously hampering their initiative, morale, and efficiency. Performance of the several divisions has varied. The Elevator Division and the Mines and Quarry Division have performed in an excellent manner. Expenditures have not been made in several areas of need, notably providing essential equipment for inspectors, performing proper renovation and

upkeep of building and work areas, modernizing management systems, streamlining files and record destruction systems, as well as formalizing personnel evaluations.

### RECOMMENDATIONS

**1. Eliminate the department's biennial report.**

The Executive Organization Act of 1971 requires that each department of state government prepare an annual plan of work and an annual report. These two documents are intended to be factual, hard-hitting, and brief. The biennial report now being published is not required by statute. It is a lengthy and rambling document which duplicates the required reports. It should be eliminated, thus saving \$2,500 annually as well as a large amount of time on the part of Department of Labor personnel.

**2. Eliminate two typist positions.**

A typist position in the director's office of the Statistical Division is presently unfilled. This position is not needed, since others in the division do not have full-time duties and could perform the work. A similar position in the Boiler Division can also be eliminated by distributing the work load more effectively. Annual savings of \$12,600 would result.

**3. Increase the Boiler Certificate Fee to \$4.**

The present fee of \$2 is unrealistic, as it does not cover the expense of inspection. According to statute, the Boiler Division is to be self supporting. The certificate fee should be increased to \$4 to provide annual income of \$36,300. This would enable the division to again become self supporting.

**4. Repeal General Statute 74-14, which requires mineral commodity statistics to be accumulated by the department.**

Mineral commodity statistics are accumulated by the Bureau of Mines. Existing state law requires the Department of Labor to accumulate the same information, forcing duplicate reporting by the industries. The law should be repealed. This would result in annual savings of \$1,400 in production costs.



#### **5. Establish a record retention system with clearly defined destruction times.**

At present, records are retained until they are of no further administrative value. This criterion is too loose and leads to lengthy retention of records which do not appear to be of value. The procedure ties up filing cabinets and floor space and requires purchasing more cabinets.

This department should thoroughly purge its records and establish a retention system with clearly defined destruction periods. A one-time cost avoidance of \$1,000 would result from not purchasing cabinets.

#### **6. Transfer responsibility for the Child Labor Law and child work permits to the Employment Security Commission.**

These duties are foreign to the activities of the department. The Employment Security Commission has

an employment office in many towns and sends a representative to visit most others on a weekly basis. Responsibility for administration of the Child Labor Law and child work permits should be transferred to this commission, where these activities could be managed more efficiently without additional costs. One clerical employee in the Department of Labor could be phased out, for savings of \$6,300 annually. Space would also be freed where relevant records are presently stored.

#### **7. Eliminate the position of Administrative Officer for the Apprenticeship Division.**

This position is not necessary to the Apprenticeship Division and should be eliminated. Its duties should be handled by a knowledgeable clerical employee of that division, who could be upgraded to Office Supervisor. Assuming the upward reclassification, annual savings would be a net \$11,900.

## **Department of Social Rehabilitation and Control**

Created in 1971, this department consists of Offices of Youth Development, Probation, Correction, and Parole. Its primary mission is to reduce the rate and cost of crime and delinquency by coordinating correction activities.

### **CURRENT OPERATIONS**

The department is headed by a secretary appointed by the Governor. It employs about 4,800. The fiscal 1973 budget provided for expenditures of \$58.7-million, of which \$46.3-million was supplied by the state. The balance was funded with federal monies and through cooperation with other agencies. Of the total, about \$40.6-million was spent within the department's adult institutions and units. Other items included administration, \$1-million; youth development, \$10.7-million; as well as parole and probation, \$6.4-million.

### **EVALUATION**

Though reasonably effective, the department is not staffed adequately to manage the organizations under its direction.

Coordination of priorities and usage of the resources available is haphazardly administered. The general administration, personnel, budgeting, and data processing groups operate inefficiently due to antiquated work methods and procedures. Placement of some functions and employees is inappropriate, and functions performed in the subsidiary organizations are duplicated. Much of the breakdown in meeting

departmental objectives can be attributed to a failure to complete all phases of the 1971 reorganization. Lines of responsibility and authority have been left undefined.

### **RECOMMENDATIONS**

#### **1. Reorganize the department.**

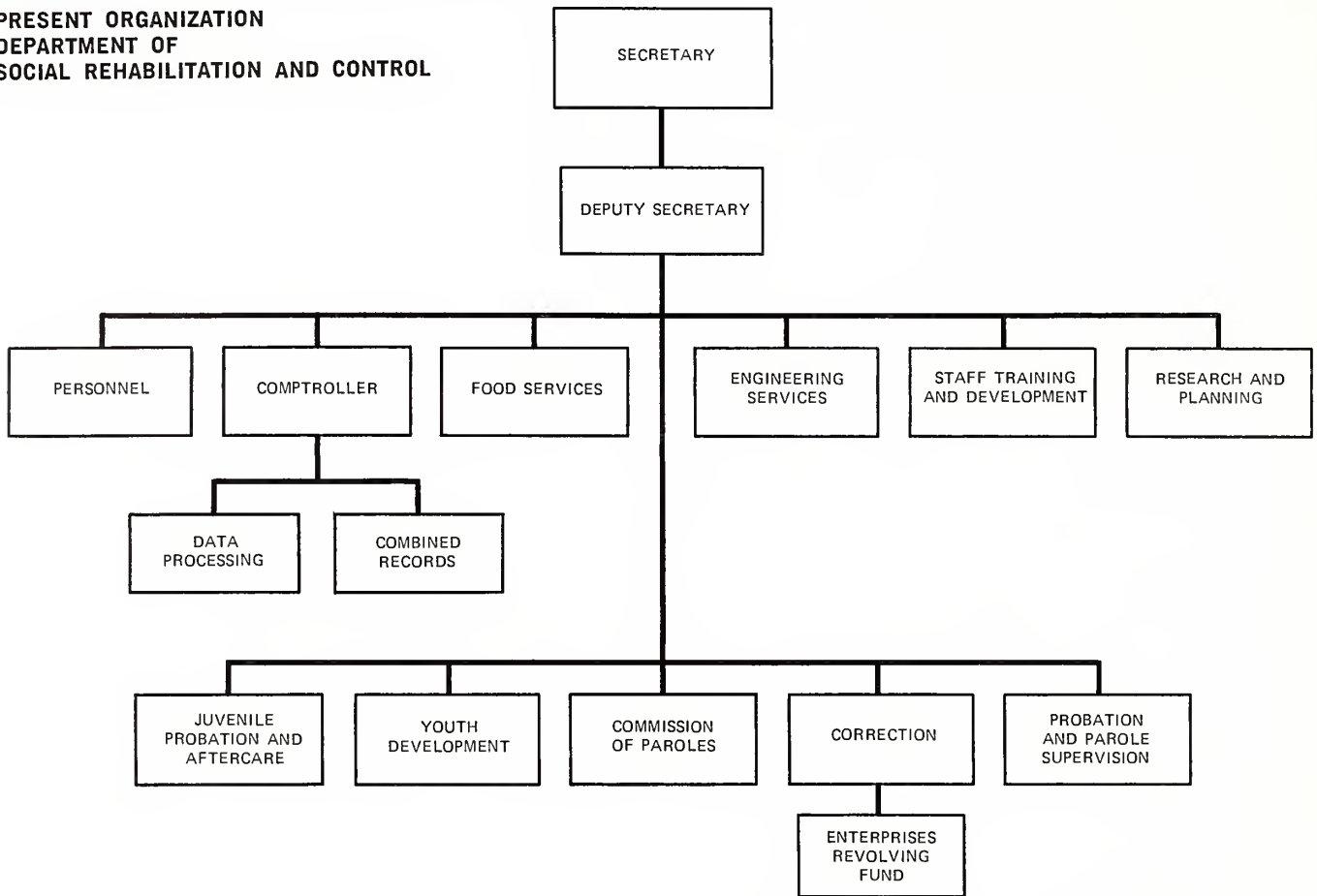
In the present departmental structure, shown on the next page, 11 persons report directly to the Deputy Secretary. There is no clear-cut support or adequate staff grouping, and lines of authority between staff and subordinate agencies are confused.

The department should be reorganized to improve control and coordination. Through a combination of functions, as depicted in the proposed organization chart on page 55, a number of major benefits could be obtained. Like functions would be combined to eliminate existing duplications and improve coordination. The span of control, direction, and objectives of the department would be reduced to a workable and effective level. Proper attention could then be given to expanding activities and resources. Implementation would require the following steps:

- ▶ Transfer responsibility for administrative and legal functions directly to the secretary, thus reducing the number reporting to the deputy secretary to seven function-oriented areas.
- ▶ Restructure the administrative area to include accounting, auditing, budgeting, data process-



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ing, control, and combined records. Additionally, all administrative activities should be transferred from the agencies to the office of the secretary, thereby eliminating considerable duplication of effort.

- Divide staff functions under the deputy secretary into clearly defined groups of Personnel, Operating Services, and Research and Planning. The suggested grouping will provide greater efficiency, avoid duplications, and facilitate operations. It would also define responsibility in the areas of training and development, security, safety, medical services, purchasing, engineering, food services, program development, long-range planning, and facilities.

Further changes are covered in separate sections on the various offices. The proposed organization would require 23 fewer employees in the parole, probation, and youth development areas. Rental office space would be eliminated and car expense reduced. Total annual savings of \$357,700 would be generated.

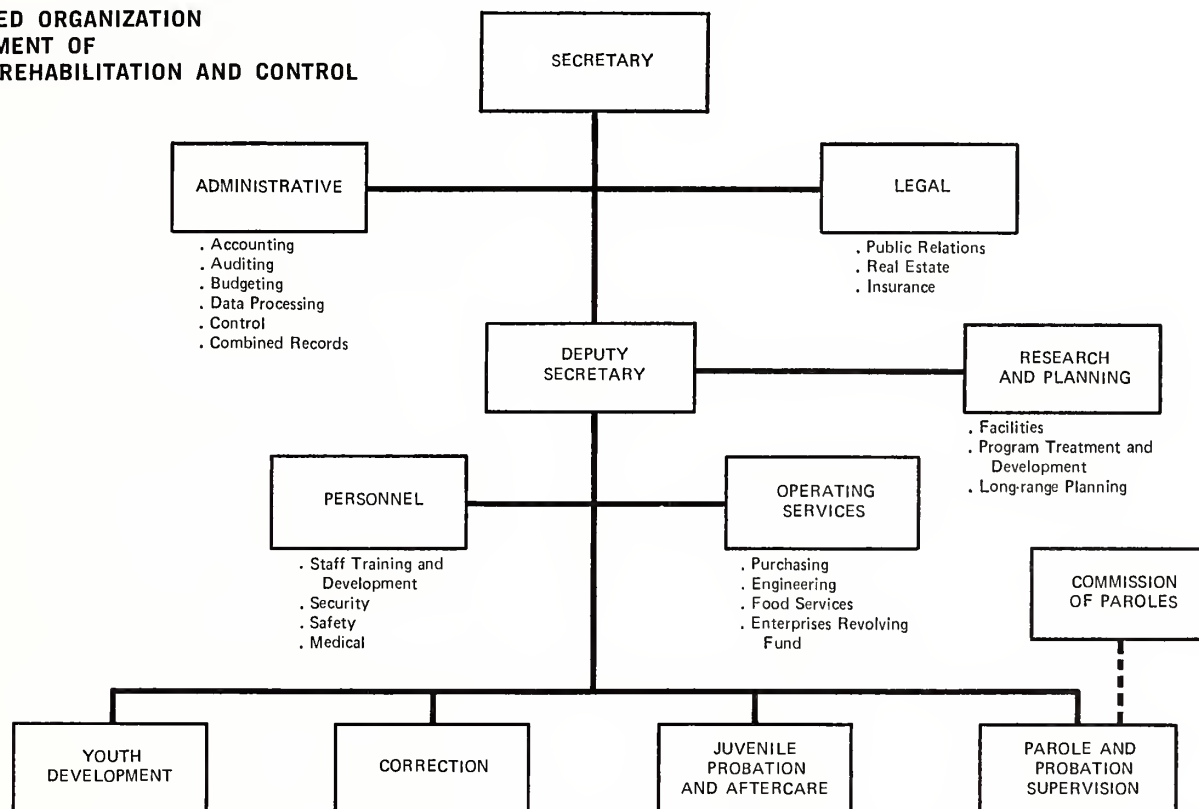
**2. Eliminate 50 specific vacant positions, as well as all other vacancies which cannot be filled or justified within a 90-day period.**

Currently, there are 322 vacancies representing \$2.5-million in salary appropriations to the department. Several of these positions have never been filled. Observation of operations and careful review with the personnel department and secretary indicate current vacancies should be reduced by a minimum of 50 positions for a cost avoidance of \$580,600. These reductions would include two jobs in the secretary's office, 34 in the Office of Corrections, 10 in Prison Enterprises, and four in Youth Development. Meaningful controls should be implemented and personnel needs clearly defined and documented for the remaining vacant positions. Those which cannot be filled or justified within a 90-day period should also be eliminated.

**3. Upgrade the quality of food and decrease the cost of meals served.**

Because of the many locations throughout the state, it is practically impossible for the food service di-

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rector to personally supervise them all. Supervision should be improved with the aim of upgrading the quality of food served, as well as lowering the cost of meals. The following steps are suggested:

- Add an assistant food service director, or otherwise fill the need for field visits. Supervision is needed to enforce strict compliance with menus, recipes, production and cooking schedules, as well as employment of use records and accurate meal production counts.
- Provide field units with training in proper food service techniques. Training aids such as available video/audio packages should be utilized by the assistant director during his field visits. Also, further food service management training for the director should be achieved by having him attend a series of courses available on a continuing basis throughout each year.
- Establish steps or pay grades within the personnel structure which would provide an orderly progression in career opportunities to exceptional employees.
- Produce written job descriptions for every position involved in food service.

These changes should improve utilization of personnel and reduce operating costs. A net reduction of 3% to 5% in the \$3.5-million appropriation should be achieved, for annual savings of \$103,500.

**4. Institute a third-party lease-back arrangement for major items of computer equipment.**

The department rents major items of computer equipment directly from the manufacturer with the option to cancel its contract on 30 days notice. Traditionally, this has been one of the most expensive ways to procure the equipment, unless rapidly changing equipment requirements are anticipated. However, the present computer is operated only two shifts per day and, with minor upgrading, appears adequate for some time to come.

Therefore, the department should explore the economics of third-party lease-back arrangements, terminate its current rental contract, and implement an 18-month lease arrangement for major items of equivalent specification. Estimated annual rental savings of at least \$27,400 would be realized.

**5. Install a computer terminal inquiry system for automated inmate records.**

The department maintains detailed jacket files of information concerning each adult inmate in the

Combined Records Section and at the field unit where the inmate is housed. In addition, the department has an automated system which duplicates much of this information in card form. Files of these cards are maintained in field units, regional headquarters, the Combined Records Section, and the Commission of Paroles.

A terminal inquiry system should be installed, with video display terminals located in the Combined Records Section and possibly within the Commission of Paroles. Other offices or field units requiring inmate information would telephone their request to terminal operators in the Combined Records Section. These operators would obtain the information from the terminal or by pulling the inmate's jacket if the data was not contained in the computer file. The information contained in each jacket file should also be significantly reduced to contain only papers with legal implications and information which cannot be included on the automated system.

The terminal inquiry system and reduced volume of information in jacket files would allow inmate record card files to be eliminated. The clerical effort associated with the maintenance of manual files would also be sharply reduced. The department could then eliminate a total of six clerical personnel in the Combined Records Section and the Commission of Paroles. In addition, the proposed system would eliminate the need for six employees who spend an average of one day per week in Raleigh obtaining information from the combined records files. Annual savings would be \$41,000, net of rental cost of utilizing video terminals.

#### **6. Build a new meat processing facility.**

Current meat processing facilities are badly in need of repair and in several places impose unnecessary safety hazards on employees. A study and economic evaluation, along with blueprints and operating procedures, has been completed for a new facility. These plans should be implemented in two stages. The initial investment would be \$1.5-million, with a savings in processing costs of \$449,000 a year once operational. The physical layout should provide other economies and significant improvements in efficiency which are not measurable. The initial stages should include only the present meat processing functions. Once they are performing up to standard, a pilot program utilizing plastic bags should be studied.

#### **7. Establish petty cash funds at field units and batch all other invoices at the central accounting level.**

Presently, all invoices submitted by Adult Corrections, Youth Development, Paroles and Probation are processed centrally by the department. To re-

duce the heavy paperwork load, untimely processing of invoices, and number of small invoices paid by check, the following steps are recommended:

- ▶ Pay all invoices under \$25 at field units from petty cash. This would reduce the minor invoices processed from 850 to about 100.
- ▶ Batch all invoices for payment by vendor, payment dates, and discounts.

Implementation of these procedures would allow elimination of two accounting clerks. Annual savings of \$12,600 would result.

## **Office of Correction**

This office is responsible for custody of persons convicted of crimes. It provides diagnostic services to aid courts and correctional authorities in making appropriate sentence, treatment, and release decisions. Other duties include administering programs to protect and promote the health and welfare of persons in its custody, helping prisoners prepare for release, providing work for able-bodied inmates, and conducting and facilitating research in criminology. The office operates all adult penal and correctional institutions in the state, including 77 units with a population of approximately 10,000.

Executive control of the office is exercised by a commissioner. The Commission of Correction, consisting of seven members appointed by the Governor, selects this commissioner with the Governor's final approval.

The major state correctional unit is the Central Prison in Raleigh, a multi-purpose institution for males which provides maximum security as well as a range of health, special treatment, research, and program development services. The North Carolina Correctional Center for Women is the main facility for female offenders. Geographic commands within the correction system, including the eastern north central, south central, north Piedmont, south Piedmont, and western areas, permit treatment of inmates close to their own homes. The notable exception to area treatment is the Western Correctional Center, which serves inmates under 21 years of age regardless of geographic origin.

Health services are generally decentralized and within the line authority of each unit. At most units these services are provided by outside, part-time physicians, or by transferring the patient to Central Prison facilities. The office also directs the care and treatment of the criminally insane at state hospitals operated by the Department of Human Resources. These hospitals are reimbursed on a per diem basis. The Enterprise Revolving Fund, also directed by this



office, provides employment for prisoners. Its operations are treated elsewhere in this report.

In fiscal 1973, the office employed 3,078 full-time personnel and required a budget of \$38.7-million. The annual cost per inmate was \$3,387, or \$9.28 per day. During the past few years, methods of correction have changed and the inmate population has declined.

The office is a national leader in development of innovative programs. However, administration of these programs and other functions is ineffective. Very little in the way of direction, coordination, and follow-up is given to the application of programs in the field. Communications from the commissioner's office to field operations is inadequate and inflexible. This is due in large part to the present organizational structure, as depicted in the chart on this page, which has 17 people reporting directly to the commissioner. Cost data and control is nonexistent, as are formalized long-range plans. Administration of geographical commands is not consistent, nor are their staffing patterns and other approaches coordinated by the commissioner's office. No effective attempt has been made to define goals.

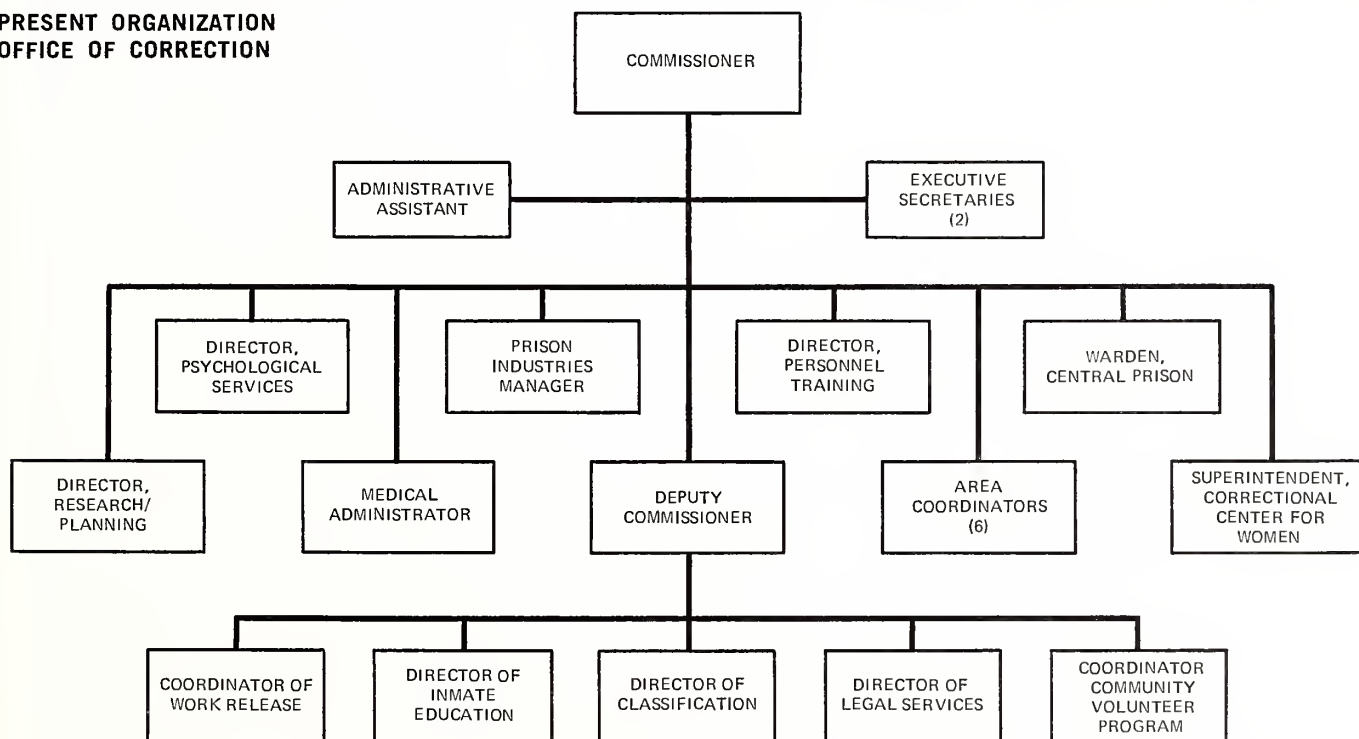
The quality of health services and facilities ranges from excellent to poor, as do services provided by outside physicians. Control and supervision of health facilities is also of variable effectiveness.

## RECOMMENDATIONS

### 8. Reorganize the Office of Correction to improve operations.

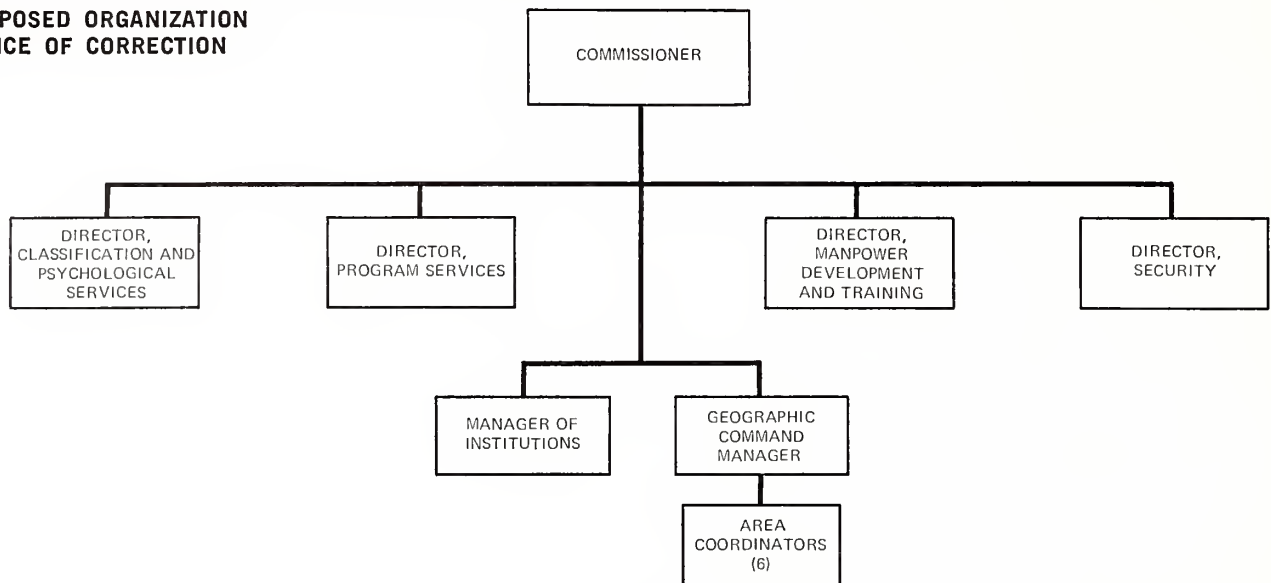
Under the current structure, 17 people report directly to the Commissioner of Correction. The office should be reorganized as shown in the chart on the next page to improve operations and reduce the number of people reporting to the commissioner to six. The Central Prison, Correctional Center for Women, and other facilities large enough to accommodate inmate populations in excess of 200 should be removed from area commands and grouped together under a Manager of Institutions. The remaining smaller units should continue to be administered by current area staffing under the direction of a Geographic Command Manager. Psychological Services and Classification should be merged. The deputy commissioner should be eliminated, along with the administrative assistant and all but one executive secretary. A Director of Program Services should be established with responsibility for the work release, inmate education, and community volunteer programs. The proposed reorganization of the Department of Social Rehabilitation and Control would transfer research and planning, medical, prison industries, personnel, and legal functions to the department level. No savings are claimed, but an improvement in efficiency should be attained upon implementation.

#### PRESENT ORGANIZATION OFFICE OF CORRECTION



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**PROPOSED ORGANIZATION  
OFFICE OF CORRECTION**



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**9. Eliminate regional administration offices and staffs.**

The 77 field units under the Office of Correction are administered by both area and regional offices. Considerable duplication prevails. If adequately staffed, area offices could provide necessary management.

Regional staffs should be eliminated and area staffs enlarged by three to seven personnel. The net result would be elimination of 109 positions, for annual savings of \$1.08-million. The reductions would also free space badly needed for various programs and save \$321,300 in motor vehicle rental and travel costs. Total annual savings would amount to about \$1.4-million.

**10. Raise the per diem charge for inmates on the work release program.**

The Office of Corrections charges each of the 1,400 inmates on the work release program \$3.45 for each day the inmate works. The approximate daily cost of maintaining these inmates and administering the program is \$6 per capita. The per diem charge should be raised to at least \$5. Implementation would provide additional annual income of about \$553,300 to help defray costs.

**11. Charge counties actual amounts for custody services and establish procedures for timely collection and billing.**

Under state law, counties which send prisoners to state facilities are required to pay a daily charge of \$2.25 per prisoner for the service. As of December 1972, delinquent payments totaled \$148,000. Additionally, the fee is substantially below the average

prisoner maintenance cost of \$9.28 per day. A timely collection and billing system should be implemented, and charges for custody should be raised to an actual cost basis of \$9.28 per day. Added cost recovery to the office should approximate \$387,800 annually. The collection improvements could be accomplished with existing personnel. No savings are claimed.

**12. Deposit work release funds in an interest-bearing account.**

Inmates on the work release program are required to turn their wages over to the Office of Corrections. The office deposits them in the Work Release Fund, a demand deposit account, from which it makes disbursements for inmates' expenses. The balance remaining in the Work Release Fund totals about \$500,000. This should be deposited in an interest-bearing account, and the interest should accrue to the inmates' welfare account. No savings or income are claimed.

**13. Revamp bus routes in transferring inmates and control the operation from a central transfer point.**

Currently, 14 buses of various sizes and descriptions are used to transfer inmates. Transfers take place twice a week and may involve up to 300 inmates. Control over the buses, drivers, routes, and maintenance falls under supervision of the six area administrators and the Central Prison.

Initial review indicates at least four buses should be eliminated to save operating costs of \$19,200 annually, plus a considerable number of man-hours.

Also, the best routes should be determined, backup vehicle control points established, and the entire operation controlled from a central transfer point.

**14. Raise staff housing rental rates to recover more of the maintenance cost.**

There is no consistency in current rental rates. Monthly rates run from as low as \$6 to a high of \$35. In all instances, rent levels are not adequate to cover the cost of maintenance. Rates should be raised to about \$75 per month for houses and \$50 per month for apartments. Added annual income would total \$22,500.

**15. Eliminate the Commission of Corrections.**

Following the proposed reorganization of both this office and the Department of Social Rehabilitation and Control, policy decisions would be the responsibility of the department. The Commission of Corrections would then be superfluous and should be eliminated.

**16. Expand the auto mechanics school at Polk Youth Center.**

The present auto mechanics vocational training school is operating at reduced capacity. Inmate students are not being trained and utilized to the optimum. The facilities and instructional aids should be expanded. Effective training would strengthen inmates' ability to secure employment upon release. Doubling the ability of shop services would save \$45,000 per year by providing low-cost repairs for state motor vehicles.

**17. Reorganize health services operations and budgeting.**

The present organization lacks adequate accountability and control. In addition, medical and custody objectives frequently conflict.

All health services should be combined with those of the Office of Youth Development and placed in a newly created division reporting through a health administrator to the deputy secretary of the department. A separate budget should be established, and the health administrator should be given authority for movement of funds between line items. Reorganization would permit proper planning, control, and evaluation of services, as well as minimize conflicts of interest between health care and custody.

**18. Update health personnel salaries annually and increase the use of physician associates.**

More than 33% of the key health service positions are currently vacant. Salaries remain below those of comparable positions in other settings, often by as much as 15%.

Health service salary levels should be reviewed and updated annually. A higher differential may also be

necessary to attract and keep high-quality personnel. The cost of upgrading would be offset by unexpended funds committed to vacant positions.

Economic and prestige factors will always hamper the employment of qualified physicians in the prison health system. Therefore, 10 new physician associate positions should be established with annual salaries of \$16,000. Five would be located in Raleigh and five in the proposed regional health centers. Working under the supervision of qualified physicians, these personnel would improve both quantity and quality of prison health services. Costs would be offset in part by reduced transportation of inmates for medical attention. The net annual cost would be about \$120,000.

**19. Develop regional health centers.**

The present centralization of health services in Raleigh involves a vast commitment of personnel, time, and other resources for the transporting of patients. Regional health centers, staffed by physician associates and supportive personnel, should be established around the state to minimize these transfers. Decentralization would allow inmates to receive care more rapidly and would enable the central hospital to concentrate on care of the more severely injured or sick. The additional cost should be practically offset by savings on current expenditures for transportation and contract health services.

**20. Close the present health facilities at the Correctional Center for Women.**

Health services facilities at the Correctional Center for Women are inadequate and have deteriorated beyond the point of economical repair. Consideration should be given to development of a suitable contract for provision of all needed services by a local hospital. This would ensure the best service at the lowest cost.

**21. Install or provide necessary medical and dental equipment.**

Many pieces of necessary and expensive equipment are already on-site but not installed because of a lack of funds. In other cases, rooms constructed for special equipment have not been utilized because money is not available for purchase and installation. Funds should be provided to correct this situation. Action would permit the office to take advantage of the large investment made and provide improved health services. Installation could be accomplished for approximately \$40,000.

**22. Correct the design of the health facility at the Western Correctional Center.**

The architectural design of this facility is grossly inefficient. Outside consultation to recommend corrective action already has been initiated. However, funds should be committed to follow through on the



changes required. This would minimize future costs and operational problems. No cost can yet be estimated, but extensive changes should be anticipated.

**23. Provide adequate reference material at all sites employing health personnel.**

There is a noticeable absence of reference materials at almost all units. The North Carolina Medical Society should be requested to recommend materials and journals necessary to assist personnel in proper recognition and disposition of health problems. The estimated costs, based on armed forces practices, would be about \$5,000 initially and \$1,000 annually.

**24. Standardize procedures for performance evaluation and payment of medical and dental consultants.**

Only verbal contracts now exist between the office and its medical and dental consultants. These consultants received \$375,000 in fiscal 1972, although no meaningful data on services performed is available. The assistance of the North Carolina Medical Society and the North Carolina Dental Society should be requested to recommend performance evaluation and payment procedures to ensure administrative responsibility.

## **Office of Youth Development**

This office is responsible for rehabilitation of all delinquent children committed to its care by the courts, provided these persons are mentally and physically capable of being substantially benefited by its programs. The office operates eight correctional schools providing diagnostic, educational, vocational, recreational, medical, and counseling services. Programs are designed to modify delinquent behavior patterns and prepare students for return to the home and community.

The Office of Youth Development was transferred to the Department of Social Rehabilitation and Control in 1971. While the secretary of the department provides general supervision, the office is also under direction of the Board of Youth Development, which consists of nine members appointed by the Governor as well as the Commissioner of Public Welfare ex officio. The board appoints a commissioner to serve as chief executive of the office. Each of the correctional schools has a director appointed by this commissioner.

During fiscal 1972, operating expenditures for youth development totaled \$9.6-million, with \$8.3-million provided by the state and \$1.3-million by the federal government. State funds were utilized for expenses of \$1-million in administration, \$1.8-million in education, \$3.7-million in custodial care services, \$500,000 in agricultural programs, \$1-million in facilities

operation and maintenance, and \$300,000 in clinical services. The average number of state employees was 750.

The correctional schools are: Stonewall Jackson School, Concord; Samarkand Manor, Eagle Springs; Cameron Morrison School, Hoffman; Richard T. Fountain School, Rocky Mount; Dobbs School for Girls, Kinston; Samuel Leonard School, McCain; Juvenile Evaluation Center, Swannanoa; and C. A. Dillon School, Butner. Each school emphasizes four program areas: social services, academic and vocation instruction, group living and counseling, and general services. The average total student population was 1,612 during fiscal 1972. The annual per capita cost in the schools was in excess of \$5,100, with indications of an increase for fiscal 1973.

The current trend in juvenile corrections is away from institutional custody and toward positive rehabilitation programs utilizing community-oriented therapeutic treatment. The office seems committed to this change in philosophy; however, certain administrative practices make it difficult to fund new programs. These problems stem from the organization as well as from budgetary and fiscal control processes. By law, the commissioner must report to both the Board of Youth Development and the Secretary of Social Rehabilitation and Control. In addition, administrative control of budgetary and fiscal affairs is inadequate. Each of the eight training schools has its own budget, which it submits to the Advisory Budget Commission. The schools also manage their own allotment requests, purchasing, accounts payable, receipts processing, and ledger posting.

Organizational problems are further reflected in the absence of long-range planning. Guidance from central office personnel in some areas is considered inadequate by training school personnel. Staff development and training is not satisfactory. The success of service programs is difficult to ascertain, since systematic measures of effectiveness have not been established.

## **RECOMMENDATIONS**

**25. Close farm operations at six correctional schools and sell dairy livestock, beef animals, swine, and related movable equipment.**

Farms were originally operated by correctional schools to provide food supplies and vocational training for youths. Professionals in the field agree there is no longer any therapeutic or practical value in this type of training. Therefore, the farm operations should be eliminated and all farm animals and non-fixed assets should be sold. A one-time income from the sale of cattle and swine at current market prices, as well as farm equipment at net book value,

would amount to \$541,500. Additionally, estimated annual savings of \$514,000 should be derived from elimination of farm operating expenses. However, food costs would increase about \$34,000, leaving net annual savings of \$480,000.

**26. Close two training schools and consolidate their functions within other existing correctional institutions.**

There has apparently been little effort to control the costs of maintaining students in correctional schools over the past several years. The annual per capita cost rose rapidly from \$2,600 in fiscal 1968 to \$5,100 in fiscal 1972. During this period, the average student population declined from 1,900 to 1,600 students. The Office of Youth Development plans to increase community-based programs in preference to institutional confinement. Implementation of these plans will probably further reduce student population. Therefore, two training schools should be closed, and their functions should be performed by other existing correctional institutions. Annual savings of \$1.56-million in operating costs would result.

**27. Consider disposing of farm properties and two training institutions.**

Other recommendations suggest closing farm operations and two institutions. These lands and buildings should be transferred to the Office of Purchase and Contract for other uses or sale.

The two correctional schools have a book value of approximately \$5.82-million. However, it is impossible to establish a market value for such buildings, and no savings or income is claimed from their disposition. The 3,000 acres of land has a marketable value of approximately \$1.16-million, which would provide a one-time income if sold.

**28. Convert food service purchasing and administration in nonfarm schools to a centralized master menu system.**

The current cost of feeding students at the Juvenile Evaluation Center and the C. A. Dillon School far exceed food cost standards for similar institutions. The high costs can be attributed to marginal coordination and supervision of the food service area, lack of continuity in meal content and nutritional evaluation by the school, and failure to fully utilize available commodities within the correction system.

The food service supervisor should be placed under the departmental secretary. In addition, a master menu supported by recipe cards should be utilized. Costs could thus be reduced while continuing to meet federal and state nutritional and quality levels. The suggested approach should decrease daily meal costs per student to approximately \$0.88 from the current \$0.99 and \$1.48, respectively, at the Evalua-

tion Center and C.A. Dillon School. This would represent annual savings of \$45,000.

**29. Close the laundry operations in correctional schools and utilize prison service.**

Prison laundries currently perform services for the Juvenile Evaluation Center and the C. A. Dillon School at annual per capita costs of \$20 and \$23, respectively. The remaining correctional schools, with the exception of the Samuel Leonard School, maintain their own laundry facilities at per capita costs averaging \$50 annually. These operations utilize permanent staff and student labor. The Samuel Leonard School uses services provided by the Cameron Morrison School.

Prison laundries have much greater capacity and can be operated more efficiently because of their large volume. All training school laundry operations should be closed and their work assumed by prison laundries. Annual savings of \$36,100 could be realized in operating costs. One-time income estimated at \$61,100 would result from the sale of laundry equipment.

**30. Cease funding the construction of new staff housing.**

In previous years, training schools were in remote locations, and employees were expected to be available 24 hours per day. For these reasons, the state built a number of staff residence facilities. Shifts have been changed to 8 hours per day, and most locations are no longer considered remote. Therefore, the state should not provide new staff housing on training school sites.

**31. Raise staff housing rental rates to levels comparable to local housing costs.**

Staff housing facilities are provided at seven of the eight training schools. Rental charges range from \$40 to \$75 per month, including utilities. No figures were available concerning operating expenses. However, it is doubtful that rental charges would cover these services as well as provide an adequate return on the housing capital investment.

Staff housing rental rates should be raised to levels comparable to equivalent housing costs in the communities where the training schools are located. Proposed rental rates would range from \$100 to \$150. These would compare favorably with prices for similar facilities in the community and encourage full occupancy without providing unjustified fringe benefits. Annual income of \$56,300 could thus be realized.

**32. Abolish the Board of Youth Development.**

Currently, the Commissioner of Youth Development receives direction from both the Board of Youth Development and the Secretary of Social Rehabilita-



tion and Control. The board should be abolished to avoid confusion concerning lines of authority. Policies should be developed by a well-qualified staff at the secretary's level. This will provide the secretary better control over the functions of his department and relieve the commissioner of dual reporting responsibility. Annual savings of \$3,000 in per diem costs would result.

**33. Eliminate the accounting clerk and warehouse manager positions at the training schools.**

Currently, each training school performs its own budgeting, accounting, and purchasing functions, utilizing an accounting clerk and a warehouse manager. Consolidation of these functions within the department's Comptroller Section would eliminate the need for these personnel. Warehouse functions which relate to the requisitioning, inspection, and storage of supplies and materials could be performed by persons within the user agencies. Implementation will result in annual savings of \$121,000, by the elimination of 12 positions.

**34. Eliminate four assistant director positions.**

The Stonewall Jackson School, Samarkand Manor, Cameron Morrison School, and the Juvenile Evaluation Center have assistant directors. During fiscal 1972, these schools averaged about 250 students and 110 employees. Other slightly smaller training schools utilize the principal as assistant director. The four schools specified have two capable administrators in the director and principal. Their student and employee populations do not require the services of assistant directors, and these positions should be eliminated. Implementation would provide annual savings of \$60,200.

**35. Eliminate one cottage life director at the Juvenile Evaluation Center.**

The Juvenile Evaluation Center has two directors of cottage life, an intensive counseling and group living program. One manages the center, and the other the Reception and Diagnostic Unit. The total number of cottage parents to be supervised is 52. Other training schools with similar numbers of cottage parents have only one director. One cottage life director should be eliminated, and the remaining director should serve both the center and the Reception and Diagnostic Unit. Annual savings of \$11,900 would be realized.

## **Enterprises Revolving Fund**

The Enterprises Revolving Fund was established to provide employment for prisoners. Statutes require utilization of inmate labor to minimize appropriations required for operation of the state prison sys-

tem and other state departments and institutions. Jobs are intended to promote suitable work habits and skills by inmates.

All costs of enterprises except prison labor are charged to this fund and receipts from sale of commodities are credited to it. Sales are generally limited to agencies wholly or partially supported by state or local governments, although certain surplus agricultural products may be sold on the open market. Net gains are returned to the prison enterprise system and may be used for capital expenditures. Production facilities for 11 industries are maintained at five different locations, and plans are under way to expand to three more sites. Current inmate participation averages 1,000, and 236 full-time non-inmates are also employed. The total budget for fiscal 1973 approximated \$15.4-million. Profits are usually about \$1.1-million annually. The prison enterprises are self-sustaining.

Although current profits are acceptable, no in-depth study has been made to maximize long-term financial or rehabilitative benefits. Also, the present organizational alignment does not allow proper direction of the fund's diverse enterprises.

## **RECOMMENDATIONS**

**36. Transfer direct responsibility for correctional enterprises to the Secretary of Social Rehabilitation and Control.**

Correctional enterprises involve operation and management of numerous manufacturing plants. Their present director, the Commissioner of Corrections, has many other responsibilities and cannot supply adequate supervision.

Direct responsibility for correctional enterprises should be transferred to the Secretary of Social Rehabilitation and Control. This should result in improved direction and guidance in formulating and implementing long-range plans, particularly in the area of expanding operations. Coordination with other departmental divisions and agencies would also be facilitated.

**37. Install automatic fire protection devices in warehouses and manufacturing facilities.**

Fire hazards exist in plants and warehouses due to accumulated waste material and combustible products, as well as a lack of fire-resistant construction. Warehouses are particularly vulnerable to loss, since inventories may exceed \$750,000 in a single building.

Automatic sprinkler systems should be installed to reduce this risk. Smoke or heat detection systems might also be tied in to a guard house, providing 24-hour surveillance and communication to the fire department. Installation would require only a nom-



inal cost, and current security personnel could monitor the equipment.

**38. Maximize Caledonia cannery production in order to pass along additional savings to state institutions.**

Currently, the cannery runs only one shift to meet the needs of the Office of Corrections food service. Surplus canned goods, when available, are marketed to other state institutions by the Office of Purchase and Contract. Since produce, labor, and a market are available, the cannery should run an additional shift. Increased income to the enterprises would amount to about \$249,700.

**39. Close the Pender County swine operation.**

Production from this facility is not used in the Office of Correction's food system, and the operation utilizes only 15 inmates. Correction officials see little therapeutic or vocational training value in the activity, and budget projections indicate a loss of approximately \$43,600 for fiscal 1973. The unit should therefore be closed.

## **Office of Parole/Probation**

The department presently includes separate and independent offices of parole and probation. They are treated together in this report because it is proposed to merge them into one organization. The Office of Parole grants, revokes, and terminates paroles. It also assists the Governor with commutations, pardons, reprieves, and extraditions. The Office of Probation supervises offenders on probation to prevent them from committing further illegal acts. The Governor appoints the three members of the Commission of Paroles. The commission is assisted by an administrative assistant, his staff of 50, and a field force of 104 parole officers and institutional supervisors. The assistant administrator maintains files on all prisoners with sentences of 12 months or more. His staff reviews those eligible for parole and, if investigation warrants, advises the commission of the parolee's status. If parole is granted, personnel supervise and work with the parolee during rehabilitation. All employers, public officials, and law enforcement agencies must cooperate with the commission and furnish any information requested. Appropriations for fiscal 1973 were \$1.7-million, with approximately \$1.3-million designated for salaries.

The Office of Probation functions under a five-member commission, with members appointed by the Governor for 5-year terms. This commission appoints a probation director, with the approval of the Governor. The field staff of 256 probation officers is divided into five geographical divisions. The officers' average case load is 97. Much of their time is de-

voted to performing pre-sentence investigation for the courts. The probation officer also supervises those on probation, providing general counseling and visiting the probationer's home and job. Total appropriations for the office in fiscal 1973 were \$3.9-million, with salary expenses budgeted at about \$3.1-million.

Performances of the Office of Parole is hindered by the quantity of reports generated. Approximately 50% of these written reports are of little or no value. Lines of organization appear to be adequate, although there is an overlap of data gathering among field groups. The parole officer, who assembles information concerning a person eligible for parole, has the least to say in the final parole decision. This problem of insufficient authority extends throughout the entire structure, from parole officer to administrative assistant. The recent absence of the third member of the Commission of Paroles has created a backlog of split decisions, leaving many prospective parolees in a state of limbo.

The Director of the Office of Probation establishes its policy and practices. The staff must clear even minor supervisory decisions before taking action. Duties and responsibilities in certain areas are not properly defined, and paperwork is excessive. In districts with only one or two probation officers, most of the officers' time is spent on court-related problems, and supervision of probationers is inadequate. Officers must spend many of their evenings and weekends on the job, and no incentives are offered for advancement.

## **RECOMMENDATIONS**

**40. Consolidate and reorganize the Parole and Probation Offices.**

The present two-staff operation causes duplication of effort. However, in the proposed reorganization of the Department of Social Rehabilitation and Control, many similar support functions in these areas are eliminated. Remaining personnel should be combined into one office under a Director of Parole and Probation Supervision. The director would oversee operations of an administrative group, a combined field staff of parole and probation officers, a case analysis section for paroles, as well as a planning and training unit. Reception and interstate compact functions would be managed by an administration officer. The Commission of Paroles would no longer supervise field and staff units. As suggested elsewhere, the Board of Probations should be eliminated. Savings are claimed as part of departmental reorganization benefit. The resulting Office of Parole and Probation would provide better coordination, long-range planning, and training of new personnel.

#### **41. Merge the division offices.**

The present six division parole offices and five division probation offices are staffed with 40 division parole and probation officers as well as 59 clerks, typists, and stenographers. Division offices should be combined and division boundaries redrawn to agree with judicial districts. As few as nine division parole and probation offices would then be required. Reorganizing division-level supervision would result in a reduction of 22 supervisors, for annual savings of \$300,100.

The majority of the clerical staff supports the district probation officer. Like the clerks in the parole office, their time is spent typing narrative reports from tapes. Computerizing reports, as proposed in another recommendation, and providing stenographers at district offices would eliminate the need for 20 clerks, typists, and stenographers. Stenographers transferred from division to district offices could also act in court as a replacement for the probation officer, thus reducing his in-court time, and allowing more time for actual case work. Annual savings from the clerical staff reduction would amount to \$126,000. Total savings from the merger would be \$426,100 per year.

#### **42. Combine the duties of parole and probation officers.**

Presently, parole officers have an average case load of 48, while probation officers supervise an average of 97 cases. The duties of parole and probation officers should be combined. This would result in an average case load of 84. Duties and responsibilities would involve both parole and probation activities. Expanding computerized reporting and such trial techniques as team management of cases would further equalize and reduce work load. Merger of duties would also eliminate duplications of counseling, investigation, and recordkeeping. However, no direct savings would be realized from staff reduction.

#### **43. Computerize records.**

Parole officers now forward tapes of conversations, interviews, and investigations to the clerical staff,

where they are transcribed onto printed forms. Forms are returned to the submitting officer and to the parolee's file. Most of this information serves little or no purpose.

Several computerized programs for probation are being tested, and similar applications are planned for parole. A program should be implemented which would provide one complete record for the Offices of Correction, Parole, and Probation, as well as basic information on convicted persons required by other departments. Duplicate information should be eliminated. Presently, there are 47 clerks, typists, and stenographers at staff level in the probation and parole organizations. Only 14 would be required under the proposed reorganization if records are computerized. Elimination of 33 positions would save \$207,900 annually.

#### **44. Eliminate the Board of Probation.**

The Board of Probation meets quarterly, or as the need arises, to hear progress reports of the Office of Probation and provide advice to its director in certain policy matters. Members are non-salaried and receive expenses only. Under the proposed reorganization of the Department of Social Rehabilitation and Control, this function would not be needed. Therefore, the board should be eliminated.

#### **45. Increase the membership of the Commission of Paroles to five.**

The current three-man commission allows too many split decisions, leaving one member in a position to decide the majority of cases. Its membership should be increased to five to reduce the present backlog of cases and eliminate the ability to trade decisions, as is now possible. The commission would continue to be appointed by the Governor and would serve as an independent body with regard to parole decisions. Responsibility for direct supervision of parolees would come under the Department of Social Rehabilitation and Control. The commission would maintain a working relationship with this department. The annual cost for two additional members would be \$42,000.

## **Department of Art, Culture, and History**

This department was formed in 1972 by consolidating the formerly separate Department of Archives and History, State Library, North Carolina Museum of Art, and North Carolina Arts Council. The new department has assumed the responsibilities of those agencies. In addition, it administers funds for the North Carolina Symphony Society and the North Carolina Art Society.

#### **CURRENT OPERATIONS**

The major function of the department is to coordinate and manage various commissions, departments, and boards. The secretary directs all activities with the help of a central staff, which provides departmental services in the areas of public affairs, personnel, purchasing, budgeting, printing, supplies, and mail service. State appropriations for all agencies



in fiscal 1973 were \$6.1-million, and total staff numbered more than 300 full-time and 20 part-time employees.

The Office of Archives and History is responsible for promoting appreciation and preservation of North Carolina history. Its services include operating the Museum of History and 16 historic sites, management and storage of local and state records, publication of books and pamphlets, and coordination of various boards, commissions, and agencies.

The State Library is the official information service of state government and provides a complete library service for residents, businesses, and state agencies. It includes four divisions, each with clear-cut responsibilities. The Public Library Development Division supplies general and specialized consultation, along with state funds, to public libraries. The Special Services Division provides library materials for restricted persons, including recorded books and magazines, braille books, and large-print books for people unable to hold or read normal print books. Information Services operates a library service for state agencies and employees; lends books to individuals through local public libraries, technical institutes, community colleges, and 4-year colleges; and coordinates interlibrary loans. Technical Services acquires, catalogs, and prepares books for public libraries; it also acquires and catalogs books for the State Library.

The Museum of Art is responsible for obtaining, preserving, interpreting, and displaying works of art through exhibitions, lectures, and publications. The North Carolina Art Society, which founded the museum, promotes and supports its activities.

## EVALUATION

On the whole, the agencies of this department effectively fulfill their purposes. Of prime concern in the Office of Archives and History is the rapid increase of state agency records requiring retention or microfilming. The Museum of Art, with its director on a leave of absence and internal reorganization underway, is showing some signs of stress.

The State Library is suffering from both growing and reorganization pains. The main body of the library is located in the 4-year-old Archives and History Building, and services for the blind are located a mile away in a facility which is beyond repair. This situation results in physical dislocation of many areas which should work in a close-knit manner. In addition, there are generally no formal referral procedures which identify responsibilities concerning reference questions or requests from the general public. Employees' reluctance to cross agency boundaries results in lower overall performance.

## RECOMMENDATIONS

### 1. Dispense with the four teletype machines used for the North Carolina Libraries Services Network.

Use of In-WATS and Centrex telephone systems have caused a decline in teletype usage. Approximately 110 teletype messages are still sent at a monthly cost of \$340.

The teletype machines at the State Library, North Carolina State University, the University of North Carolina, and Duke University should be completely replaced by telephone systems. This would produce an average saving of \$2.60 per message or \$3,400 annually. Use of telephone communications would also allow discussion or clarification of various points, as well as eliminate the need for trained teletype operators.

### 2. Reduce payments made to three universities for their participation in the North Carolina Libraries Services Network.

Total charges of \$5,400 per month are paid to North Carolina State University, the University of North Carolina, and Duke University for supplying information and library materials to the network. The current level of service is not worth the cost. A total of about 450 interlibrary loan requests and 30 reference questions are processed each month.

About 50% of a librarian's time is required to cover 150 loan requests and 10 reference questions. The monthly payment to each university should therefore be renegotiated to \$400, providing an annual saving of about \$50,000. On requests for which considerable reference effort is required, some limitations or a fee should be initiated. Future participation in the Southeastern Library Network should reduce dependence upon the universities.

### 3. Obtain specific price discounts for all categories of books from jobbers and publishers.

Discount schedules are currently obtained from jobbers and publishers, but many discounts are stated as a range. For example, on library-bound books from one jobber the range is from zero to 37%. This vagueness makes it impossible to effectively maximize the service-to-price relationship.

Definitive discount data should be obtained on all categories of books to make proper selection of dealer. Annual savings to the public libraries would average 1% on \$750,000 in book purchases, or \$7,500.

### 4. Obtain a direct line of communication with all jobbers to speed resolution of questions and problems.

With most jobbers, there is much delay in solving problems. Poor communications have kept the State



Library from doing business with some very competitive sources.

One jobber, however, has a representative assigned to manage State Library business. Similar direct channels of communication should be opened with all other jobbers. This should produce an annual saving to the public libraries of about 1% on book purchases of \$750,000, or \$7,500.

**5. Implement a new method of protecting books with plastic covers.**

The present method involves selecting the correct-size cover, folding it, trimming the overlap, and affixing it to the book with tape. A semi-automated system is suggested, using three or four widths of plastic on rolls. The plastic would be cut to book height. This plastic cover would then be heat-sealed to the inside of the book cover.

The new system should at least double the present rate of covering 30 books per hour and require less physical effort. Two employees could be eliminated, for annual savings of \$9,000. A one-time expenditure of \$2,000 will be required for equipment.

**6. Install signal buzzers and/or lights for the book elevator in the stacks.**

One book lift services all eight stack levels of the State Library and Archives Building. When materials are requested or returned a telephone call is made to alert personnel.

The lift should be equipped with signal buzzers and/or lights, depending upon noise limitations. A signal will be triggered as the lift is sent. Stack personnel will then have advance warning without taking time to go to the telephone. Although nominal savings may result, the emphasis is on better service. Equipment will cost about \$2,000.

**7. Combine physical distribution systems for all films having wide circulation.**

Currently, many state agencies are circulating films, and each has its own independent transmittal system. Booking, shipping, inspection, and the like are the same for all such films. One physical distribution system should, therefore, be established. This would eliminate a total of five employees from the State Library, Board of Health, Wildlife Commission, and Industrial Commission. An aggregate annual saving of \$40,000 would result to the state.

**8. Perform a study of state records management with the aim of minimizing storage space.**

A new records storage building is to be built at a cost of \$2-million. It is expected to be filled, along with the present record storage building, within 5 years. The rapid growth of records demands an overall state government plan to simplify, standardize, store, retrieve, and dispose of them. Technological changes and reduced records retention requirements must be planned now to avoid overwhelming storage space and processing requirements in the near future.

**9. Increase the efficiency of the State Records Section in determining the disposition of state agency records.**

State agencies are currently obligated to provide personnel to inventory their own records. This is an inconvenience to the agency. Often, the state records management analyst can better perform the inventory alone than with untrained help. Permanently assigned personnel trained by State Records should perform the inventory and routine duties, unassisted by the analyst. A team of analyst and clerk would produce at least 75% more output, with only a 50% increase in cost. The added expense for four clerks would be \$22,000 annually.

**10. Improve security in the search room.**

Although many security measures are in force, briefcases and outerwear are allowed in the search room. Theft has not been a major problem, but many historically valuable items are available to the public and vulnerable to loss.

Briefcases and outerwear should be checked or stored outside the search room. The reception area has adequate space available.

**11. Initiate safety measures for storage and use of hazardous chemicals.**

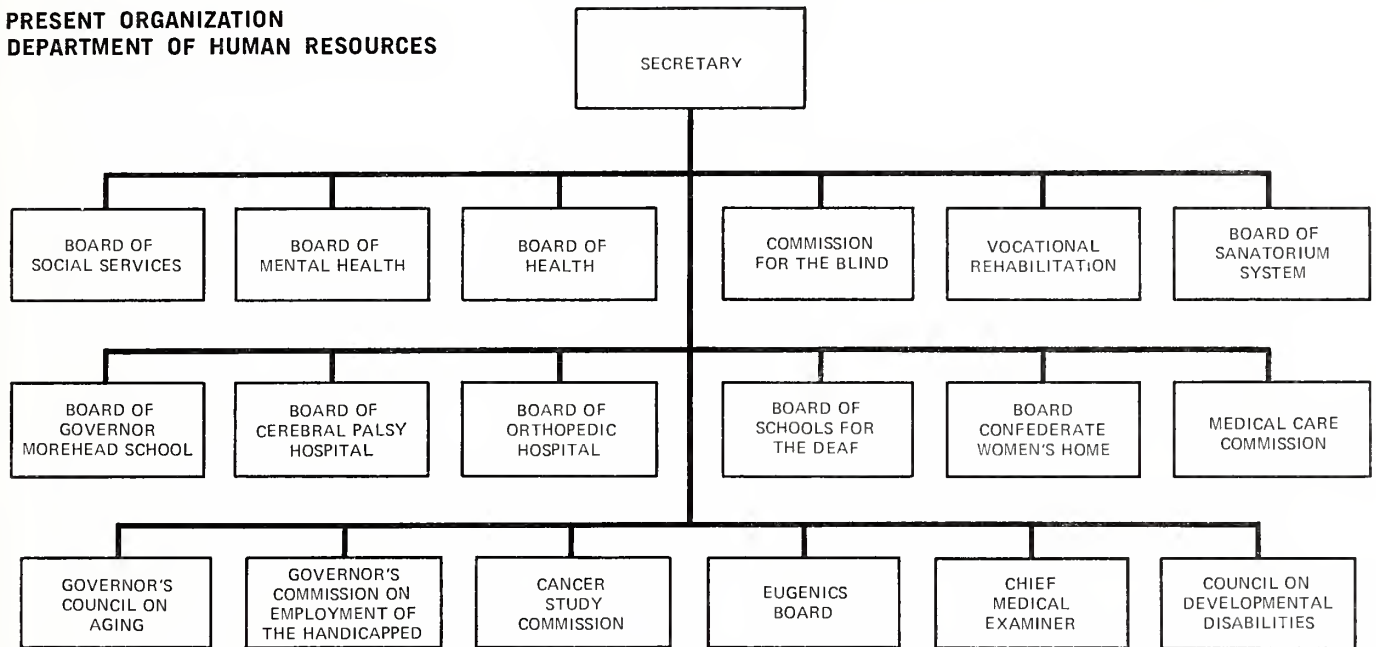
Currently, dangerous chemicals are used in the Document Restoration Unit, the Microfilm Processing Unit's chemical mixing room, and the fumigation chamber. Precautionary measures are generally lacking and, in some cases, exhaust ventilation is inadequate. Warning signs, proper venting, first aid provisions, and strict rules to prevent fire or explosion are required, as well as better general awareness of the hazards involved.

## Department of Human Resources

The mission of this department is to help all citizens of North Carolina achieve and maintain an adequate level of health, social and economic well-being, and

dignity. Its agencies provide services in the fields of general and mental health, social adjustment, and rehabilitation.

**PRESENT ORGANIZATION  
DEPARTMENT OF HUMAN RESOURCES**



**CURRENT OPERATIONS**

The Department of Human Resources was created in 1971. Five existing major agencies were transferred to the new organization, including the Departments of Social Services, Mental Health, and Public Health, as well as the Commission for the Blind, and Vocational Rehabilitation. In addition, it assumed jurisdiction over 30 related institutions, boards, commissions, and councils. The present organization is illustrated in the chart above. In addition to the administrative, health, and social services performed by these agencies, they maintain and operate six hospitals, four sanatoriums, five schools, 19 centers and workshops, and a home. Funds, guidance, and personnel are allocated to hundreds of district, county, and city operations. In fiscal 1973, there were over 12,000 employees in the department. The annual budget was approximately \$430-million, of which 51% was federal, 33% state, and 16% county and other funds.

**EVALUATION**

Unfortunately, the method of transferring agencies under the Executive Organization Act of 1971 has left major roadblocks to establishing a cohesive organization. Most of the agencies were originally autonomous, reporting to boards or commissions responsible only to the Governor. With few exceptions, the provisions of the transfer poorly define the authority of the Secretary of Human Resources. The agencies themselves independently retain and exercise all prescribed statutory powers. Several organiza-

tion plans have been developed, but none have been implemented. Each of the subordinate agencies has established administrative services with many common and overlapping functions.

The potential for more effective management is great. Legislation is needed to place the various boards and commissions in an advisory capacity and give the secretary proper authority to act. A bill was introduced on March 19, 1973, which reportedly addresses these needs.

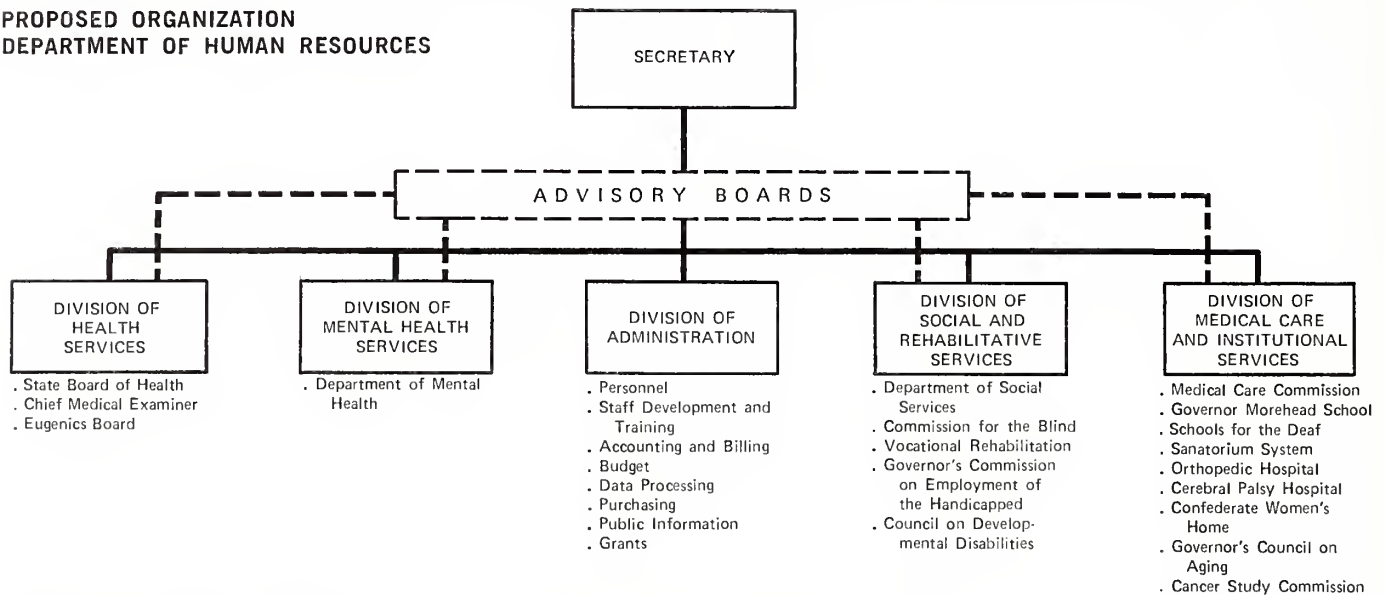
**RECOMMENDATION**

**1. Reorganize the Department of Human Resources into five major divisions.**

Although the Secretary of Human Resources has authority over personnel and budgets, the fragmented nature of the present organization makes efficient administration impossible. There is an urgent need for legislation which would give the secretary authority to shift organizations and programs to maximize services. The department should be reorganized, as shown in the chart on the next page, to consolidate the separate agencies and provide a strong central administration. Five divisions would be created: Health Services, Mental Health Services, Social and Rehabilitative Services, Medical Care and Institutional Services, as well as Administration.

The Division of Administration should unify support activities necessary to all divisions. There are presently 325 employees in the various agencies performing personnel, public information, staff training,

**PROPOSED ORGANIZATION  
DEPARTMENT OF HUMAN RESOURCES**



accounting, billing, budget, data processing, and purchasing functions. This amounts to a 20% to 25% ratio of administrative to service personnel and is at least double the ratio generally accepted in business organizations. Through consolidation of functions and tighter communications, the number of accounting, billing, and budget personnel can be reduced by 25. By centralizing buying activities, purchasing employees can be reduced by 20. Data processing and personnel sections should be reduced by 20 and 10 employees, respectively, through better defined and controlled work programs. Two top administrators would also be eliminated. A central case registry in the Division of Administration would be established, along with other common functions and services. The four operational divisions would still perform some similar tasks, and these may require further realignment.

The various boards and commissions should be retained on an advisory basis, at least through a transition period, to provide invaluable background, knowledge, and experience. After an effective management system is operating, the existing boards should be streamlined and combined.

Consolidation would eliminate two administrators with annual salaries of \$20,000 each, as well as 75 positions with aggregate annual wages of \$462,000. Total annual savings would be \$502,000.

## Board of Health

This board promotes personal and community health and strives to prevent or control disease and other

health impairments. Most of its programs involve advisory services to local health organizations.

Policies are established by a State Board of Health. Five of its nine members are appointed by the Governor, and four are elected by the State Medical Society. This board elects the State Health Director, who administers programs through the eight divisions. The divisions include Epidemiology, Community Health, Laboratory, Administrative Services, Dental Health, Personal Health, Sanitary Engineering, and the State Medical Examiner. They are concerned with prevention of infectious diseases, safety of water and milk, prevention and treatment of dental diseases, health of the chronically ill, enforcement of statewide public health laws and food sanitation regulations, as well as promotion of the activities of the local health departments. The State Medical Examiner performs autopsies and investigates unexplained deaths.

The operating budget of the Board of Health was \$20.3-million for fiscal 1973, an increase of 10.8% over the previous year. Federal grants and awards accounted for 35.2% of the total. Receipts for services represented 2.3%. The board currently has 623 permanent employees. It maintains six regional branch offices, which provide qualified health services consultation.

The organization and management personnel are effective. However, regional coordinators have very little authority, thus reducing the effectiveness of these offices. Too often, local health departments rely on services in Raleigh rather than consult with regional personnel.



Many different computer programs are evolving in various sections. These programs duplicate data-reporting at the local level. The need for an overall, systematic approach to compiling statistical information is quite apparent. Also, a formal review of service programs does not exist, and some are continued which do not produce results sufficient to justify their costs. Further, most fees charged do not adequately cover the cost of services, and too many sections operate separate billing units.

## **RECOMMENDATIONS**

### **2. Increase the annual fee for bacteriological surveillance of public water supplies to \$100 and institute a \$100 surcharge for samples submitted more than two weeks late.**

Statutes require all public water supplies to be checked monthly and to receive annual bacteriological certification. This is sometimes difficult to enforce because the Attorney General will only intervene in cases involving \$100 or more owed to the state. Normal annual costs of bacterioanalysis are \$98 per public water supply, or \$235,200 for the 2,400 systems in the state. The annual income from fees has amounted to only 33% of costs.

A fee of \$100 should be charged for bacteriological surveillance, as well as a surcharge of \$100 for water samples submitted more than two weeks late. Added income to the state would be \$169,100 annually. The surcharge would not add much income, but it would help enforce the statute. Also, the work load in the Board of Health Laboratory would be smoother and the bacteriological program more manageable.

### **3. Recover costs of annual chemical surveillance of all public water supplies with a \$180 fee for this service.**

Chemical surveillance is performed annually on all 2,400 public water supplies in North Carolina at state expense. Insufficient cooperation by people responsible for these water supplies makes this operation ineffective. A fee of \$180 per year, based on cost, should be charged. Surveillance could then be enforced, and additional annual income of \$432,000 would be produced.

### **4. Establish a fee to cover costs for licensing installations which work with radiation.**

There are presently 300 installations in North Carolina licensed for radiation. Licensing inspections are performed by one man at no-charge on 100 installations per year. Costs to the state average \$124 per installation.

Many installations should be licensed several times per year, while others do not need even yearly inspection. Fees should be based upon the man-hours

required for inspection. This would yield an annual income to the state of \$12,400 and recover costs of the program.

### **5. Eliminate three positions in the Epidemiology Division.**

Several budgeted positions have never been filled or have been vacant for some time. The jobs and their salaries include an administrative assistant, \$8,600; a public health nursing consultant, \$13,000; and an X-ray technician, \$7,800. These positions are not needed and should be abolished for an annual cost avoidance of \$29,400.

### **6. Combine the Dental Health Division's printing operation with a similar unit of the Administrative Services Division.**

There are two printing operations within the Board of Health — one in Dental Health and the other in Administrative Services. The first, with one employee, effectively meets the printing needs of its division and does special work for others. The Administrative Services printing area has six employees and supplies printing services for all remaining divisions of the office.

These printing services should be combined, and the efficient procedures of the dental section should be utilized. Two duplicator operators could then be eliminated for savings of \$13,400 annually. Combination would also enable the printing section to operate for some time without adding new equipment.

### **7. Abolish an Associate Chief Medical Examiner position.**

Presently, the office of Chief Medical Examiner is authorized two associate chief positions. However, it has now operated for nine months with both jobs vacant. One of these positions should be filled. The second is unnecessary and should be eliminated to save the state \$38,400 annually.

### **8. Transfer all billing functions to the Budget and Accounting Section, and record accounts receivable and payable as they occur.**

Numerous billing functions are scattered throughout the agency. For example, there are 11 employees in the bill-processing unit of the Personal Health Division. This unit authorizes services and equipment for patients in the crippled children, maternal and child health, and cancer control programs. Bills are received and matched with authorizations, verified, and forwarded to Budget and Accounting, where further verification procedures are necessary. Transferring of this unit to Budget and Accounting would allow elimination of two positions, for annual savings of \$12,600.

Billing is also performed by other divisions. It is an accounting function and should be conducted by

the Budget and Accounting Section. No significant saving would be realized by the transfer of these other functions, as they are presently only a part of an employee's duties. Implementation would reduce future needs for support personnel, since present, part-time billing employees would be able to spend all of their time on program responsibilities.

Concurrently, an accounts receivable and payable system should be established. Outstanding obligations could then be identified, reducing the possibility of overspending on various items. Accounts receivable should be recorded and followed up for nonpayment.

**9. Abolish all positions which have been vacant for 90 days or longer.**

There are many positions in the Board of Health which have been vacant for periods exceeding 6 months. Several of these have never been filled. Positions vacant for 90 days or longer should be abolished. Based on data available April 1, 1973, implementation would eliminate 15 positions and provide annual cost avoidances of \$60,200 to the state and \$141,600 to the federal government.

**10. Reduce the administrative work load of regional offices.**

For more than 5 years, the Board of Health has operated regional offices. During this time, numerous studies, reports, workshops, and high-level meetings have failed to establish the precise role of these branch offices. A conservative estimate shows a cost to the state of \$50,000 for this decision-making process, with very little result.

Investigation indicates regional program workers prefer duties related to their specific program areas. These are professional people and should be managed by the program section chief located in Raleigh. The sole purpose of regional offices should be to locate expert professionals closer to centers of need.

The present arrangement is a compromise, in which a coordinator for each region is elected by the personnel of each branch office. Regional coordinators act primarily as program consultants. Coordination is secondary and mostly involves administering regional team efforts and representing the region at meetings. The position is not necessary, and the functional definition of its duties interferes with, rather than promotes health services.

The regional offices need only have an administrative secretary located full-time in the office. This secretary would perform any office administration tasks and report to the Administrative Services Division in Raleigh concerning vacations and work-related problems.

**11. Determine the feasibility of eliminating vital records storage and certification at each county's Register of Deeds Office.**

Each county has a duplicate storage of vital records in its Register of Deeds Office. These offices issue copies of birth, death, and marriage certificates. The Board of Health also issues certified copies of these documents from the originals stored in Raleigh. Local certification requires the state to inform the local Register of Deeds when a correction is made to a vital record. There are possibilities of error in this process and no assurance that the county record will then be correct.

A study should be made to determine the feasibility of eliminating these duplicate records at the county level. A conservatively estimated annual saving of \$10,000 per county, excluding storage space costs, could result. However, no savings are claimed.

**12. Develop a long-range plan for data processing and statistical information systems.**

Much emphasis in the past few years has been placed on the importance of accurate statistical information in all areas of health services. This board has attempted to keep up, but in a piecemeal manner. Computer programs have been written to solve each service requirement as it arose.

A long-range, data processing and statistical information system plan should be developed with full cooperation of all office employees. Objectives should be to support local health departments, interface smoothly with other state agencies, cover federal requirements, and allow flexibility for expansion and deletion of functions, as well as project needs for a 20- to 25-year period. Key, experienced, line-management personnel should be assigned to the project as top priority during both planning and implementation phases. Consideration should be given to making the implemented system compatible with full state or federal management information systems. All areas of health services should be included in the plan. The primary aim should be to provide more and better services with available resources by eliminating duplications of effort in reporting processes.

## **Department of Mental Health Services**

This department provides funds, guidance, and regulation for state hospitals, centers, clinics, halfway houses, a school for emotionally disturbed children, and mental health institutions. Its responsibilities include education, training, preventive measures, treatment, research, evaluation, and rehabilitation for alcoholic, mentally ill, retarded, disturbed, and drug-addicted citizens of the state.



Under supervision of the Commissioner of Mental Health, the organization consists of a central office staff and four regional commissioners. These commissioners are responsible for all state mental health institutions in their area. Facilities include four hospitals, three alcoholic rehabilitation centers, four mental retardation centers, and one re-education unit for emotionally disturbed children. They provide a bed capacity of 14,300, with an average daily occupancy of 11,200. In addition, funds and service are given to 41 community mental health centers. The staff comprises 8,573 employees and for fiscal 1973 the gross operating budget was \$93-million.

The department's goal is to decentralize treatment to community mental health centers. This would relieve the state of the total financial burden as well as improve the patient's environment. As a result, the number of patients in the four state hospitals declined from an average daily population of 9,797 in 1960 to 6,511 in 1972. During this time, the number of mental health employees increased by 90% and operating expenses more than tripled.

Patient care programs are continually revised, and recent renovations have made patient living conditions adequate, with a few exceptions. However, top management employees do not give proper direction to program evaluation and administration. Inefficiencies exist in the areas of bookkeeping, reimbursement, sewing services, purchasing, care of special funds, budget preparation, operating canteens and commissaries, farm operations, and utilization of personnel. Inventory control is inadequate in most dietary departments and pharmacies. Charges for rental housing, utilities, housing improvements, and staff meals are not comparable to current price levels. In addition, practices and procedures have not been standardized in many areas.

## **RECOMMENDATIONS**

### **13. Increase staff cafeteria charges to cover the costs of this service.**

Employees who eat at institutions' staff cafeterias are charged an average of \$0.47 per meal. The actual cost per meal for food, labor, and fringe benefits is \$1.12. The expense of providing 1.1-million employee meals in fiscal 1972 was \$1.23-million. Actual collections were \$521,700, for a loss of \$712,300. Employees should be charged the actual cost of meals or food should be catered to turn this loss into an annual saving.

### **14. Raise staff housing rental rates.**

Over 90% of staff housing rental charges range from \$31 to \$78. Inspection indicates similar, privately owned housing would have rented for 2.5 times these levels.

Current rates and income should be doubled. Charges for utilities should also be evaluated and adjusted. Consideration should be given to selling units which are contiguous to existing housing developments. Additional annual income of \$489,400 would be generated by the rent increase.

### **15. Eliminate state-operated canteens, and enter into contract agreements for this service.**

Six institutions currently operate a canteen, but only three have made a profit. Those which incur losses are subsidized by additional vending machine operations or supported by state funds. Most canteens are operated and managed by state employees using state facilities.

Caswell Center has an agreement with a private operator who pays the institution \$250 monthly rental, plus an average \$200 per month as a percentage of profits. This type of agreement should be implemented for institutions which now operate their own canteens. Proceeds from future contract agreements would be used for patient needs and recreation. Accumulated cash and savings of \$126,000 from the few profitable operations should revert to the state. The inventories of \$13,300 and equipment valued at \$12,400 should be sold. Implementation would provide a one-time income of \$151,700.

### **16. Eliminate vacant positions at state mental health institutions.**

Observation of the 12 institutions indicates more than adequate administrative and patient-care personnel are currently employed. The average daily patient population is declining. At present, 161 positions are vacant and should be eliminated. An annual cost avoidance of \$1.7-million would result.

### **17. Purchase two pallet trucks for the Caswell Center warehouse.**

The warehouse at Caswell Center employs six people and a supervisor. The building is two stories with a small freight elevator. At present, all material and supplies are unloaded and stacked by hand. This is time-consuming and limits storage in higher areas. Therefore, one pallet truck should be purchased for each floor. Four employees could then be eliminated because of reduced handling of merchandise, and additional storage space would be freed for future growth. A one-time expenditure of \$2,400 would be required for purchase of the two pallet trucks, as well as an estimated annual operating expenditure of \$100. The personnel reductions would provide net annual savings of \$25,100.

### **18. Stop making apparel which can be purchased ready-made at less than production cost.**

Seven of the state's mental health institutions have a sewing room. Production is by state employees only. A study showed over 80% of the items pro-



duced can be purchased ready-made at less than the institutions' production cost.

Therefore, all sewing operations should be restricted to mending clothing and making items which cannot be purchased ready-made. Reduced operations would eliminate the need for 48 employees. However, since this study showed a 55% production inefficiency, only a corresponding part of labor eliminations would be savings. Thus, annual salary reductions would total \$262,100, with actual savings of \$165,800.

#### **19. Collect charges legally due from patients who are able to pay.**

Current daily charges at mental hospitals, alcoholic rehabilitation centers, and mental retardation centers are \$18, \$30, and \$15 a day, respectively. This is the average daily cost for each type of institution. The parents, spouse, children or estates of patients are required to pay these fees, or some portion thereof based on their financial status. About 22% of the patients are charged the full amount, and another 31% are billed varying rates less than the maximum. Collections for fiscal 1972 represented only 20% of the total amount billed. Little effort is made to collect amounts past due, and more than \$65-million has been or is in the process of being written off since 1968.

Also, two standards are to be used in determining ability to pay. A short-term guideline, with much higher charges, covers those in the hospital less than 120 days. Each patient is to be considered short-term until the limit is reached. A long-term guideline is applied to all patients who stay more than 120 days. At present, however, only two of the 12 institutions are using short-term guidelines.

Financial determinations should be standardized at all institutions, and the department should take immediate steps to enforce collections from those who are able to pay. A collection goal of 30% billings should be set immediately. This would generate at least \$6.2-million in additional annual income to the state. Once guidelines are properly standardized and enforced, collections of 90% would be realistic.

#### **20. Close farm operations at five mental health institutions.**

The farms were originally operated to provide economical food supplies by utilizing patient labor. In recent years, however, the number of patients helping on a farm has dropped from hundreds to a current average of 20 to 25. Patient help has been replaced by paid state employees, and rising salary expenses have further decreased profitability. All but one of the farms have ceased to raise produce because it is cheaper to buy. As a group, they are barely breaking even.

Farm operations should be immediately stopped. Livestock and equipment, with values of \$974,000 and \$523,200, respectively, should be sold. A one-time income of about \$1.5-million would thus be realized. Although the combined farm operations made a small profit, loss of this revenue would be offset by the interest on proceeds from the sale of livestock and equipment. The food now produced could be purchased for an amount equal to current farm operating costs.

#### **21. Dispose of farm properties.**

The proposed elimination of farming operations would free about 15,000 acres of land. If the state cannot use this property, it should be sold. Each institution should retain adequate land for a buffer zone — about 300 acres for most institutions, plus a 3,000-acre watershed at Broughton Hospital. Sale of the other 14,800 acres would provide a one-time income of about \$13.4-million.

#### **22. Require all mental health superintendents to have business administration experience or a hospital administration degree.**

Present state laws require a superintendent at any mental health institution, with the exception of the alcoholic rehabilitation centers, to be a licensed physician. Reporting to these superintendents are business office managers who control in excess of \$85-million. Budgets are supervised by the central office and the Office of the Budget, which do not allow any flexibility even though budgets are prepared at least 2 years prior to actual expenditure. The present system has proven very inefficient.

Private hospitals, faced with similar problems, have switched to hospital administrators qualified in business administration. This practice should be adopted by the Department of Mental Health Services. Superintendents qualified in business or hospital administration should be hired, and sound business procedures should be implemented to increase efficiency.

#### **23. Implement an effective drug distribution control system.**

Most institutions have little control over drug distribution. Pharmacists issue non-control drugs per requisitions signed by varying levels of employees. This system lends itself to pilferage and loss. A recent study at one hospital was able to account for only 41% of drugs issued.

An effective drug distribution control system should be developed and implemented at all mental health institutions. The fiscal 1973 budget shows an expenditure of \$2.2-million for drugs, of which about \$2.1-million was for those not under strict control. Using a conservative loss factor of 40%, the state could reduce its cost by \$825,500 annually. Cherry Hospital has partially implemented an individual

prescription-patient profile system. From the standpoint of cost-to-control relationship, this seems to be one of the better systems. Additional cost to the institution for total implementation would be less than 10% of the non-control drug expense. On this basis, the total cost to install such a system in all institutions would be \$206,400, yielding a net saving of \$619,100 annually.

#### **24. Merge the Butner central services with John Umstead Hospital, and cease providing fire and police protection to the town of Butner.**

The Butner central services section is made up of laundry, utilities, automotive shop, rental housing, and the fire and police department. All are owned and operated by the John Umstead Hospital and paid by the state. Four other mental health institutions provide the same services, with the exception of fire and police protection. At the other institutions, these functions are included in the operating budget and their expenses can be told at a glance. However, at Umstead two sets of books are kept, and the true cost cannot be determined without analyzing and combining both sets.

All operations at John Umstead should be merged into a single operating budget. At present, the state provides Butner with fire and police protection, at an estimated cost of \$143,000 annually. This protection should cease and incorporation of the town should be encouraged. After incorporation, the fire and police departments should be transferred to the city. Service could be provided to the hospital on a fee basis. Annual savings to the state of \$143,000 would result.

#### **25. Close the forensic unit at Cherry Hospital.**

The forensic unit at Cherry Hospital houses patients under court order and is operated by 86 employees. There are currently 81 inmates in this unit. Facilities are old and will soon need to be renovated and air-conditioned.

The forensic unit at Dix Hospital has been renovated within the last 10 years, and air-conditioning is nearly complete. This facility has a maximum security capacity of 160 and minimum security space for 90. It currently houses 132 inmates.

Inmates from the Cherry Hospital forensic unit, along with the director and 36 employees, should be transferred to the Dix Hospital unit. Net annual savings from personnel reductions at Cherry Hospital would amount to about \$392,300.

## **Department of Social Services**

This department administers or supervises all public assistance programs offered within the state. A seven-member, Governor-appointed Board of Social Services establishes policies, rules, and regulations

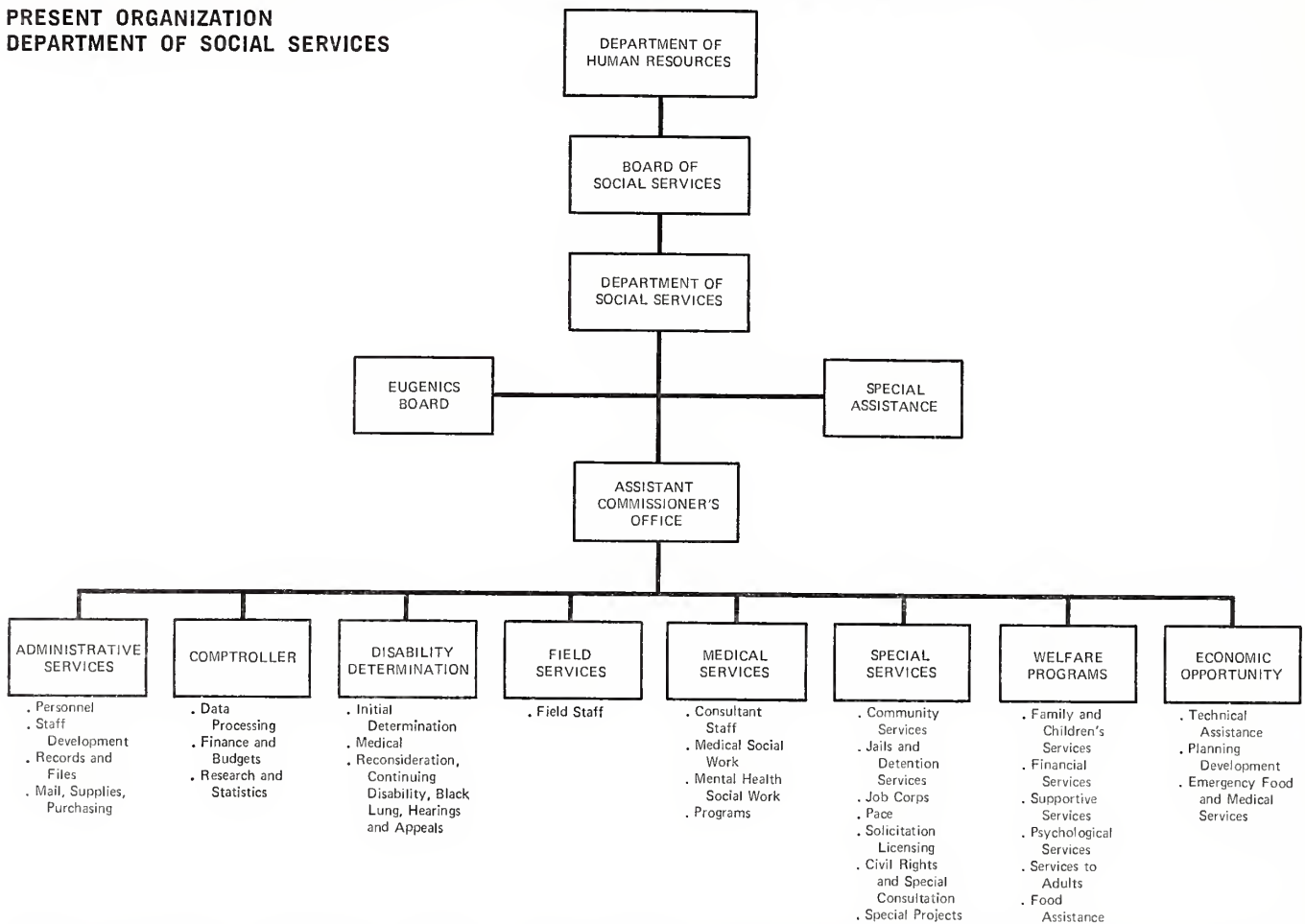
for state social service programs. The department is the administrative arm of the board, with responsibility to administer certain state-level programs and supervise administration of 100 county social service departments. It also discharges many of its responsibilities through the Office of Health and Department of Mental Health, the Commission for the Blind, and the Division of Vocational Rehabilitation.

Services are administered by the Commissioner of Social Services through eight staff divisions, each headed by a director. During fiscal 1973, the department employed 744 full-time and 29 part-time employees, 176 of whom were field representatives. Its administrative budget was \$11-million, which was 61% federally- and 39% state-funded. The program budget was \$303.6-million, of which 71% were federal, 17% state, and 12% county funds. The total amounts to approximately 17% of the overall state budget and 67% of the Human Resources budget. The department receives nearly 50% of all federal funds coming into the state.

As shown in the present organization chart on the next page, functions and services are administered through the following eight divisions:

- ▶ Administrative Services provides services necessary for the efficient functioning of all operational elements of the department, such as personnel administration, staff development, public information, central records and files, mail and purchasing, and library.
- ▶ Comptroller administers fiscal, budgetary, financial, statistical, accounting, data processing, and internal audit functions.
- ▶ Disability Determination verifies the extent of disability for federal social security applicants.
- ▶ Economic Opportunity provides a state governmental link between the federal Office of Economic Opportunity and its funded agencies and programs within the state and counties.
- ▶ Field Services supervises the administration of social services programs in accordance with state and federal laws and policies through field representatives in county departments.
- ▶ Medical Services manages the Medicaid program.
- ▶ Special Services furnishes staff assistance for developing new programs and demonstration projects. It also oversees programs, such as civil rights and special consultation, community services, jail and detention services, Job Corps, PACE, solicitation licensing, and others.
- ▶ Welfare Programs administers and directs programs offering food, and financial assistance, as well as a variety of social services.

**PRESENT ORGANIZATION  
DEPARTMENT OF SOCIAL SERVICES**



The Department of Social Services currently has no merit system to recognize outstanding job achievement, nor are there standards of performance or an employee appraisal program. Training of personnel is minimal, as is information available on career and promotional opportunities within the department and elsewhere in state government.

The organization is divided into many state and county levels and further fused by several lines of authority. As a result, problems have arisen in planning and managing the many complex federal, state, and county programs. Relations with the counties are weak, and duplications exist within various sections. Objectives are limited to improving service and reducing delays. Minimum resources are expended to control and audit high-dollar outlays.

**RECOMMENDATIONS**

**26. Reorganize the office to improve services and make them more responsive to need.**

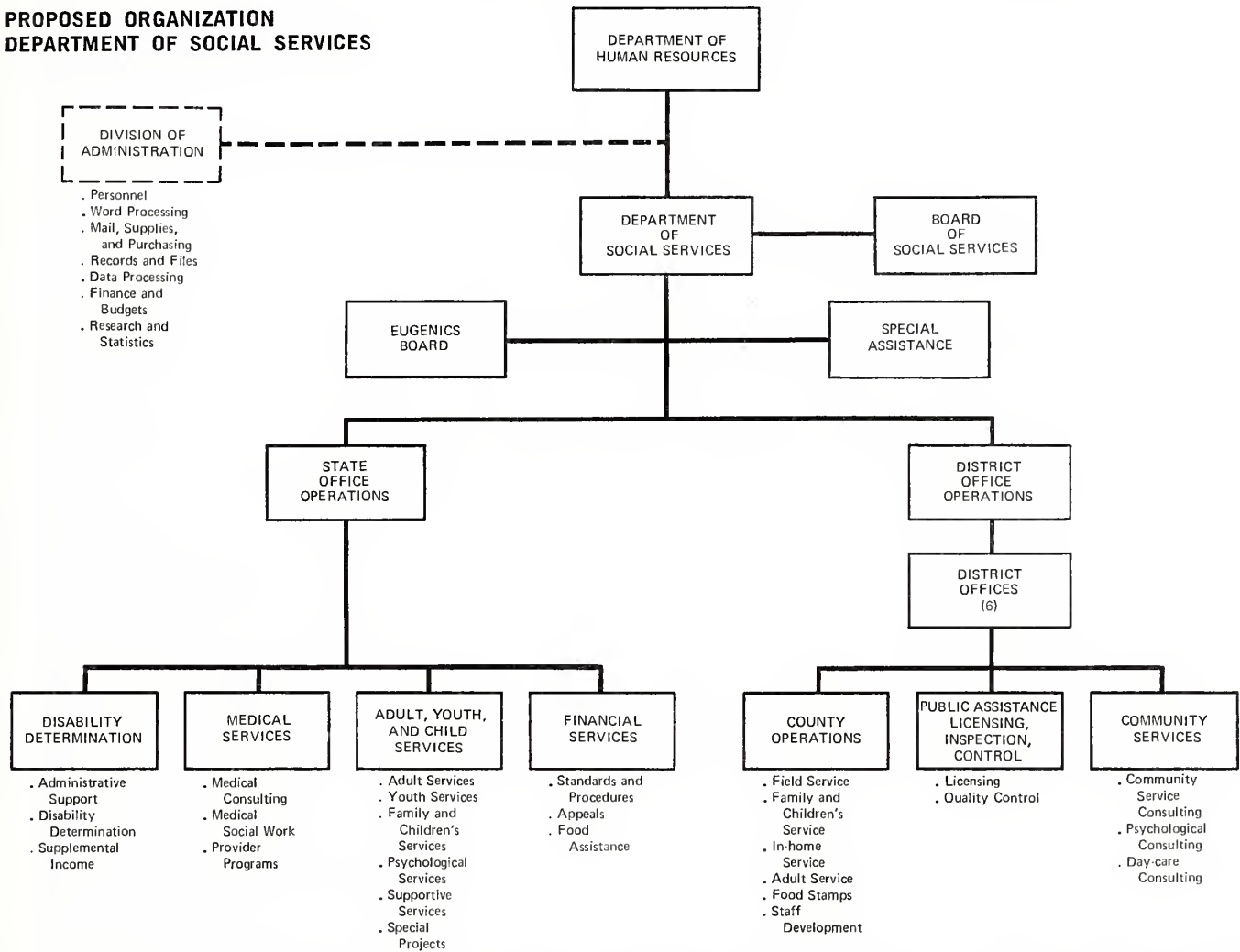
The present organizational structure does not establish a direct and consistent relationship between the

Commissioner of Social Services, his immediate staff, and the administrators of the 100 county departments. Many inefficiencies exist due to a general lack of common goals and priorities among the divisions, incomplete definition of authority and responsibility, as well as poor communication and coordination in field staff activities. Moreover, since division directors have statewide responsibility for programs or services, it is impossible for them to monitor the quality of services in each of the county departments.

Therefore, in line with previous studies conducted by professional management consultants, the office should be reorganized as shown in the chart to the right. The new structure should improve communication and coordination as well as decentralize activities, thereby bringing supervision closer to the local level. Under this plan, most divisions would be restructured along functional lines, a new position of Assistant Commissioner for District Office Operations would be created, and six district offices would be established. The new functional units, as



**PROPOSED ORGANIZATION  
DEPARTMENT OF SOCIAL SERVICES**



well as the districts, would be formed out of existing elements through combination of like services and separation or transfer of dissimilar functions to new units. Many duplications and overlaps in authority and responsibility would thereby be eliminated.

State office sections would be reorganized, with all field activities transferred to districts. Section directors would report to an Assistant Commissioner for State Office Operations and be responsible for technical aspects of social service programs.

The six districts would be based on the 17 governmental multi-county planning regions. These would be combined to make the caseload and number of professional employees in the county departments approximately equal. None of the planning regions would be divided between two districts, and individual districts would not be large enough to become centers of power rivaling the state office. The district directors, reporting through their assistant

commissioner, would represent the commissioner and state board in their respective areas. They would have a status commensurate with that of the section directors in the state office.

The steps of reorganization are as follows:

- The Commissioner of Social Services would report directly to the Secretary of Human Resources, with the State Board of Social Services serving in an advisory capacity only.
- Administrative Services and Comptroller functions would be subordinated to the proposed Human Resources Division of Administration.
- Disability Determination would be reorganized internally. By establishing definite units with designated managers, many duplications could be eliminated.
- Field Services functions should be relocated in the district offices.

- Medical Services should be reorganized to establish defined unit responsibilities. Three separate, but equal, units should be formed. The work of the Institutional Certification and Mental Health Social Work Units would be absorbed by other existing personnel.
- Special Services functions would be relocated in either the new Adult, Youth, and Child Services Section or the district offices. An exception is Jail and Detention Services, which would be transferred to the Department of Public Health.
- Welfare Programs would be reorganized into two new sections: Adult, Youth, and Child Services and Financial Services. All field activities would be relocated in the districts.
- Economic Opportunity functions were eliminated by federal executive order on or about July 1, 1973.

District offices would each have three units: County Operations; Public Assistance, Licensing, Inspection, and Control; and Community Services. The director would supervise all field staff assigned to his district. All state office personnel would be expected to advise the district director when they plan to conduct official business within the district. State office staff at the section level would no longer have line authority over field personnel. The field office director would have overall responsibility and authority in his district to carry out the mission of the department as defined by federal and state law and the State Board of Social Services.

Implementation of the proposed reorganization would allow elimination of 36 professionals and 12 clerical positions, for total annual savings of approximately \$588,600. Of this, \$353,200 would accrue to the federal government and \$235,400 would fall to the state. The new divisions and districts would be staffed with existing personnel.

#### **27. Adopt automated methods of records and files management.**

Presently, the central records and files section of Administrative Services manages some 225,000 active public assistance case records. This operation requires 17 full-time employees and 2,500 square feet of space. The entire system is manually operated and each information input or output request is processed separately.

Records and files should be automated by installation of a high-speed, microfiche system. Such a change would allow this section to reduce its floor space by approximately 2,000 square feet and its staff by 11 clerical employees. The new system would provide low-cost file control and protection, compactness, add-on update capability, and a 24-

fold increase in the input/output speed. Purchasing, installing, and converting to microfiche would involve a one-time expense of \$35,000. Annual savings from the personnel reduction would be \$27,800 to the federal government and approximately \$41,500 to the state.

#### **28. Charge a fee to recover costs of licensing organizations for solicitation.**

Presently, the Solicitation Licensing Section of the Special Services Division spends approximately \$50,000 per year to license an average of 1,000 fundraising organizations within the state. A minimum license fee of \$50 per organization should be charged. All expenses associated with this program could thus be offset.

#### **29. Establish a hospital admissions review section to eliminate unnecessary admissions and reduce lengthy stays.**

Of the many medical assistance programs, in-patient hospital care is the most expensive. However, at present, no prior approval is required for non-emergency hospital admissions. Such approval is required for nursing home care, home health services, visual aids, and many other services. Some system of prior approval and post-admission review should be established to control costs.

Studies conducted by the Medical Services Division indicate that almost 90% of all Medicaid hospital admissions were of the non-emergency type and approximately 6% of these were unnecessary. During 1972, there were 61,000 Medicaid patients admitted and discharged from North Carolina hospitals. The average daily cost of their hospital stay was \$80. Based on the figures developed in the Medical Services study, if a system of prior approval and post-admission review is established, 3,294 patients would be eliminated from the hospital rolls. Assuming a conservative 3-day hospital stay, \$790,600 in yearly savings would result.

Medical Services also showed the average hospital stay for all Medicaid patients in the state amounted to 10.54 days, as compared to the national average of 8.45 days. The proposed program should reduce this figure to conform with the national average. Approximately 120,600 days of unnecessary hospital stays would be eliminated per year, for annual savings of \$9.6-million.

Total gross annual savings would thus amount to \$10.4-million. Implementation would require 20 qualified physicians and a support staff of 40, plus expenses. Annual operating expenditures would approximate \$1-million. Therefore, net annual savings would be about \$9.4-million, of which \$6.9-million would accrue to the federal government, \$2.2-million to the state, and \$377,600 to the counties.

**30. Establish adequate medical care facilities and make periodic medical reviews of all public assistance recipients who are residing in these facilities.**

At present, there are 3,625 public assistance recipients residing in nursing or convalescent homes. The average monthly cost to the state per recipient is \$456 and the average length of stay is a year. Based on internal studies conducted by Medical Services, approximately 25%, or 900, of the recipients in these homes should be transferred to intermediate care facilities. This would cost the state approximately \$410 monthly per recipient, representing total annual savings of \$493,200. However, this type of facility has not been approved, as required, by legislative amendment. If approval is obtained, the Department of Health, Education, and Welfare has agreed to supply funding.

In addition, no real effort is being made to screen nursing home recipients at this time because of the lack of intermediate care. Samples indicate 11%, or 400, of recipients presently residing in nursing and convalescent homes should immediately be transferred to homes for the aged or other facilities for those not requiring around-the-clock medical attention. The average monthly cost of this type of facility is \$175 a month. The transfer would thus provide savings of \$1.35-million per year.

Legislative approval should be gained for intermediate care, the number of medical reviews should be increased, and recipients requiring less extensive care should be transferred to suitable facilities. Total annual savings of about \$1.8-million would result, with \$1.3-million going to the federal government, \$423,900 to the state, and \$73,700 to the counties.

**31. Require all third-party, co-insurance medical payments for Medicaid recipients to be collected by the Department of Social Services.**

When an individual applies for Medicaid benefits, information is obtained with respect to age, income, types of other medical insurance, and the like. The applicant is informed of the legal requirement to reimburse the state for any co-insurance payments received. In addition, if the recipient does have co-insurance, the Medicaid payment form is coded for computer detections. During fiscal 1972, \$2-million in co-insurance payments were collected by this department. However, these payments represented only 33% of potential reimbursements.

Approximately \$4-million in co-insurance payments were not collected for two major reasons. First, when the recipient receives medical treatment, he can elect to assign co-insurance benefits to the provider of medical services, to Social Services, or to himself. Most recipients assign payments to the provider or receive them direct. As a result, Social

Services is often not reimbursed. Second, staff within the Medical Services accounting section is not adequate to monitor and collect co-insurance payments received by the providers and recipients. During the last half of 1972, 15,000 actual claims, amounting to approximately \$1.5-million, were detected by a computer flagging technique. However, no funds were collected because there were no personnel available to perform this function.

The law should be enforced as it applies to both providers and recipients, and the Medical Services accounting staff should be increased by approximately six employees. An estimated additional \$3-million in co-insurance payments could be recovered annually. The cost of operating the collection program would amount to approximately \$50,000 a year. Therefore, net annual savings would be \$2.95-million, with \$2.2-million going to the federal government, \$678,000 to the state, and \$119,000 to the counties.

**32. Transfer financial functions of the Disability Determination Division to the Comptroller.**

Presently, there are seven approved financial positions providing statistical, budgetary, and accounting services for Disability Determination. This work load should be transferred to the Comptroller, where better efficiency can be gained by taking advantage of automated systems. Three positions could then be eliminated, resulting in a \$45,000 annual saving to the federal government.

**33. Eliminate welfare commodity distribution systems and convert to a state-wide food stamp program.**

In mid 1973, 67 counties participated in the Food Stamp Program, while 33 operated a commodity distribution program. The commodity program for welfare recipients is uneconomical and detrimental to both the counties and the recipients. It places the county departments in direct competition with food retailers and wholesalers. Also, it greatly restricts the recipients' freedom of choice in meal planning and preparation because of the limited number of commodities distributed. In addition, the distribution program requires the recipient to come to the county warehouse to pick up his pre-planned monthly supply of staples. Often, long distances are involved, and some form of paid or volunteer transportation must be worked out.

North Carolina should convert to a state-wide food stamp program. In the 67 counties presently participating, an average of \$42-million in federally funded food stamps are spent yearly by public assistance recipients. The annual state sales tax revenue on these purchases amounts to \$1.26-million, and county sales taxes amount to \$420,000. The value of the federal portion of the commodities



distributed each year to recipients amounts to \$21.6-million. If this amount were converted to food stamp coupons, the state's portion of annual sales tax revenue would amount to \$648,000, and the counties' part would be \$216,000. In addition, administrative costs could be eliminated, although no estimates of these savings are yet available.

**34. Establish a team to review and audit Medicaid providers' claims.**

Annual payments to 7,300 Medicaid providers in North Carolina currently total \$79.8-million. However, a recent survey in New York indicated as many as 33 of 34 providers submit fraudulent Medicaid claims. Also, a four-county area in California, through a system of sound administrative control and peer review, realized 12% savings in its prescription drug program.

Therefore, a professional team should be formed to audit 30% of physicians, dentists, pharmacy prescriptions, and optical services. It should be organized initially with five people and build to 10 within 9 months. A Medical Services Division employee has manually identified 253 providers worthy of audit from a block sample of 800. To date, 89 audits have been performed, resulting in refunds to the Medicaid program of \$200,200. At this rate, those identified out of the total 7,300 providers would yield about \$5.2-million, or a 6.5% return on total expenditures. Based on a slightly discounted 6% rate, \$4.8-million would be saved annually through increased audits. The cost of the audit team would be a maximum of \$200,000 per year, including expenses. Net annual savings would thus be \$4.6-million, of which the federal share would be \$3.3-million, the state's portion \$1.1-million, and the counties part \$183,500.

**35. Expand staff to locate and require fathers to provide support for dependent children.**

One factor in the high cost of Aid to Families with Dependent Children (AFDC) is the unknown location of the parent, usually the father. These parents should be located and those now known should be required to provide support. Presently, one employee, who also has other duties, is involved in this effort. Two additional personnel should be added and all three should be assigned full-time paternity and support location work, as well as supervising county departments in this function. The cost of this addition would be \$40,000 annually.

There are presently about 21,200 AFDC cases in which the parents' location is unknown. New York's central location service achieved a 25% increase in parents found. With equivalent performance, North Carolina could locate about 5,300. Based on experience, about 2,400 would result in recovery, at a total cost of \$238,800 for court proceedings. The

average monthly family support payment is \$65 per month. The increase in court orders would thus eliminate annual welfare payments totaling about \$1.9-million.

With added staff, an increase in support payments from the 23,600 parents whose locations are known could also be realized. Study indicates 10% improvement is a reasonable estimate for North Carolina and would provide further savings of \$1.8-million yearly. Total net savings would be \$3.4-million, with \$2.3-million going to the federal government, \$513,200 to the state, and \$581,700 to the counties.

**36. Initiate a flat grant payment system for AFDC recipients.**

Administering the present system of individually determined payments to recipients is inefficient and very costly. About 50% of eligibility specialists' time is spent investigating, calculating, and budgeting individual cases. The error rate was 42.4% in fiscal 1972. The federal government requires determinations to be accurate within a range of \$5 per individual case each month. This strict standard results in high administrative costs.

A flat grant system should be implemented. Under such a program, a specific standard grant is given the client, based upon family size. Monthly payments are allocated on a predetermined basis. Special allotments are avoided for all but catastrophic situations, and the household is expected to meet all of its expenses by budgeting the grant, establishing priorities, and practicing long-range planning. This system would treat recipients more equitably, reduce program administration, better utilize the professional skills of social workers, and increase the accuracy of determinations. Identifiable savings of about \$2-million should result from eliminating 23 quality analysts and 243 AFDC eligibility specialists.

Federal law requires states to meet a national quality control error rate of 3% on assistance to ineligibles and 5% on overpayments to eligibles. Presently, North Carolina is experiencing a 20.8% level of overpayment and a 6.4% ineligible rate. Consequently, the state was obligated to repay the federal government \$15.3-million in fiscal 1973. Installation of a flat grant system would reduce errors and enable the state to recover 50%, or \$7.65-million.

Furthermore, federal financial participation in AFDC payments will decrease in coming years in proportion to the rate at which a state's expenditures for ineligibles and overpayments exceed standards. If present error levels continue, North Carolina will be charged \$8.6-million in fiscal 1974 and \$18.1-million in fiscal 1975. These expenses would be shared equally by the state and the counties. Flat

grants would enable the state to comply with federal requirements and turn these amounts into cost avoidances.

In summary, the adoption of flat grants would provide a \$2-million administrative saving, of which \$1.2-million would accrue to the federal government and \$821,000 would fall to the state. In addition, total cost avoidances of about \$34.4-million would result over the fiscal years 1973 to 1975. Equal shares of \$17.2-million would be claimed by the state and the counties.

### **37. Establish two word processing centers.**

Presently, the department has 124 clerical employees. Of these, 88 service the professionals located in the Albemarle Building, and 36 are assigned to the Disability Determination in the Towers Building 6 miles away. Automated word processing centers should be established in both of these locations to improve productivity and utilization of clerical personnel.

In the Albemarle Building, 70% of clerical time is devoted to administrative functions, such as filing, mail, copying, telephone, and the like, while only 30% is devoted to typing functions. The equivalent of 26 employees' time is spent producing an average of 49,616 lines per week, and 80% of the typing can be performed in a word processing environment. One word processing typist can produce 700 lines per day, or 3,500 per week. In addition, such a system would allow 50% faster dictation and reduce floor space requirements by 25 square feet per typist. Establishing a word processing center in the Albemarle Building would make a net elimination of 12 clerical employees possible. Net savings of \$48,300 to the federal government and \$30,900 to the state would result.

The Towers Building now has 14 clerical personnel performing administrative tasks and 22 doing typing for 55 professionals. By July 1, 1973, 62 clerical and 60 professional positions were added to perform work associated with a new federal program. Upon conversion to a word processing system, the existing 22 typists could do the work required for 100 professionals. Thus, only three additional clerical personnel would be needed for the expanded professional staff. Additional benefits in reduced dictation time and floor space would result. Net cost avoidances would amount to \$376,000 per year, all of which would accrue to the federal government.

## **Division of Vocational Rehabilitation**

This division is primarily concerned with rehabilitating disabled individuals. For those eligible, it provides a comprehensive program of diagnosis, therapy, medical treatment, restoration, prosthetic ap-

pliances, and training. Vocational Rehabilitation is headed by an administrator and has 1,010 employees. Operating expenses for fiscal 1972 were \$19.6-million, of which administration costs comprised \$853,700. Funds were 79.7% federal, 11.2% state, and 9.1% from other sources.

A medical doctor is administrator for all medical services, and a psychologist is Assistant Director for Research and Psychological Consultation. Major operating units, each under a director, include Research and Planning, Personnel and Continuing Education, Fiscal, Rehabilitation Services, Program Development and Coordination, as well as the State Rehabilitation Centers at Chapel Hill. There are also four area directors located in the western, north central, south central, and eastern regions of the state. Each area director manages four or five regional supervisors, and each supervisor has a staff of counselors and caseworkers.

Counselors interview each referral for history, education, finances, and work experiences. Some of the problems which can make an individual eligible for services are mental retardation, birth defects of any kind, cerebral palsy, loss of limb, spinal injury, cardiac disorder, kidney problem, ulcers, cosmology defect, and behavioral disorders.

Although counselors are highly dedicated and employee morale is good, the office is not as efficient as it could be. There are too many directors between the client and the administrator.

## **RECOMMENDATIONS**

### **38. Restructure the staff.**

The present staff includes directors of six areas: Rehabilitation Centers, Research and Planning, Personnel and Continuing Education, Fiscal, Rehabilitation Services, and Program Development and Coordination. To provide the administrator with a more cohesive staff, the following rearrangements should be made:

- Extend the responsibilities of the Director of Rehabilitation Services. This position currently oversees four area offices, each with its own area supervisor. The director could carry a heavier direct load. Since most personnel are in his section, merging the Personnel and Continuing Education Section should be a natural step. Rehabilitation Centers should be administered through the area offices.
- Combine the Research and Planning Section with Program Development and Coordination to bring together planning and implementation functions.

These changes will allow a reduction of three directors, for a total annual saving of \$54,000.



**39. Move more patients from retardation centers and mental health hospitals to community-sponsored vocational workshops.**

Sheltered workshops are being used more frequently to motivate and train the mentally retarded to obtain and hold a job. They are organized, directed, and funded by the community for the benefit of its own children. A few county and city schools, workshops, and this office have set guidelines for co-operation. Problem youngsters can be identified earlier, and remedial therapy can be started promptly. A potential institutional inmate is thus located, trained, and diverted to acceptable social and vocational activities within the community. About 23% of the clients in workshops are patients moved from retardation centers and hospitals. These persons have been trained in work habits and become self-supporting in private industry. If a client can work six quarters in a sheltered workshop before age 24, he is thereafter covered by at least minimum Social Security benefits.

According to a survey, over 3,000 currently institutionalized patients are capable of transfer to sheltered workshops. An entire retardation center and mental health hospital could be closed, if enough new workshops were organized. In cases where clients cannot live with parents or family, it would be necessary to provide low-cost room and board. Even in these cases, annual costs per client would be \$3,500, as opposed to about \$5,500 in retardation centers and \$6,500 in hospitals. Annual savings of over \$5-million are possible. However, no saving is claimed.

## **Commission for the Blind**

This commission has the objectives of preventing and treating eye disorders which cause blindness and rehabilitating the state's visually handicapped citizens. It provides medical aid, training in personal and job skills, and placement. Currently, it also administers federal Aid to the Blind payments, but, on January 1, 1974, this function will be transferred to the Social Security Administration.

Within the framework of a single agency, the commission offers the state's 15,000 blind citizens all services provided other segments of the population through three separate agencies: the State Board of Health, the Department of Social Services, and the Division of Vocational Rehabilitation. The commission employs about 300 persons. It has local representatives in 60 counties, district offices in seven major cities, and central headquarters in Raleigh. The total budget for fiscal 1972 was \$10.5-million, of which the state's share was \$2.6-million. Operations are supervised by a nine-member committee appointed by the Governor, and administered

by an executive director. Activities are carried out by three divisions, each under a deputy director.

The Social Services Division stations caseworkers in county social services departments to be the commission's primary local contact with blind persons. Caseworkers spend more than 50% of their time establishing applicants' eligibility for assistance. In addition, they provide personal counseling and adjustment training. Medical Services sponsors 175 free eye clinics each month in cooperation with local doctors and health officials. Rehabilitation Services' total rehabilitations (909) and average cost per rehabilitation (\$3,200) were third and first, respectively, among the nation's agencies for the blind. This division operates modern vocational evaluation and training centers at Raleigh and Butner, maintains workstudy counselors at several universities and workshops, and oversees a concession stand and home crafts business for blind persons.

The blind population is small and widely dispersed. Providing specialized services involves excessive traveling, loose supervision, and other factors which reduce personnel effectiveness. Further specialization within the organization results in a lack of flexibility, overlapping services and records, and inconsistent administration of programs. Medical services and general rehabilitation produce excellent results, but the social service programs and business operations have suffered because of poor administration. More efficient utilization of the Butner Rehabilitation Center is necessary to reduce per capita costs.

## **RECOMMENDATIONS**

**40. Disband the nine-member board of directors.**

By law, the executive director is appointed by and reports directly to the nine-member board. At the same time, he is accountable to the Secretary of Human Resources. The existence of two separate and often conflicting lines of authority is not conducive to effective management. In addition, the board's schedule of quarterly meetings is insufficient to allow it to rule effectively on agency policies and procedures. Contacts between board members and agency personnel often result in confusion.

The board should be disbanded. Since there are existing advisory committees which represent the blind community and professional eye care specialists, retaining it as an advisory board is unnecessary. Implementation would save \$3,000 annually in per diem allowances and expenses.

**41. Adopt the proposal to reorganize the Business Enterprises Program.**

A proposal has been made to place the Business Enterprises Program under supervision of the Deputy Director of Rehabilitation Services. The proposal



has been heard by the board, but action has been deferred. This plan should be adopted. Reorganization would eliminate several unnecessary administrative positions, with employees to be transferred to field operations. It would also provide more efficient utilization of field personnel. Based on the proposal, the executive director has withdrawn budget requests for additional staff representing an annual cost avoidance of \$534,000.

**42. Consolidate Social Services with the field operations of Rehabilitation Services.**

After January 1, 1974, the Social Services Division will no longer administer the Aid to the Blind program. Many of its remaining functions overlap those of Rehabilitation Services, and a number of clients are served by both programs.

These two divisions should be consolidated. Greater staff flexibility would result from applying a general practitioner approach. Travel time would be reduced, and client, service, and administrative overlap could be eliminated. Coordination in information gathering, recordkeeping, eligibility determination, and case planning would also be improved. Although the impact on efficiency cannot be estimated at this time, elimination of three supervisory and six clerical positions by consolidating administrative functions should provide annual savings of \$75,000.

Consolidation will require federal approval, and complete integration will probably require several years. Merger can be facilitated by adopting uniform operating procedures for both divisions prior to consolidation. Forms, case records, and internal reports should be designed to be used by both divisions, and offices and case records should be shared.

**43. Provide operating funds to social workers so they can purchase transportation services for their clients.**

Presently, social workers have no funds available for paying taxi, bus, and air fares. As a result, they spend approximately 10% of their time transporting clients in their personal automobiles. Social workers have sometimes waited with a client all day in a doctor's office or hospital. Although such situations can never be avoided entirely, utilization of public transportation in only 50% of these cases would increase caseworkers' operating efficiency and allow the elimination of three positions. Since salaries and fringe benefits average \$10,000, annual savings of \$30,000 would result.

**44. Reduce the number of social workers in anticipation of declining activity.**

The projected caseload for 1974 is 5,500 service and 1,500 supplementary financial assistance cases. This is a substantial reduction from prior years. Since

financial assistance cases require 33% of the effort of service cases, the total weighted caseload will be 6,000.

Caseworkers currently carry a weighted annual caseload of 125. Allowing a 10% provision for increased administrative requirements and improved services, 53 workers will be required to maintain this level of effectiveness. Since 60 caseworkers have been budgeted for fiscal 1974, this comparison indicates that seven will not be needed and should be eliminated. At an average salary of \$10,000 per caseworker, this reduction would yield annual savings of \$70,000.

**45. Incorporate performance standards into Social Services' cost records.**

Federal guidelines require social workers to keep detailed daily time records. A computer application has been developed to process this information and summarize it in the formats required for federal reporting purposes. With only minor modifications, this system could also meet the need for effective management information within the division.

The usefulness of present reports is limited because there are no standards for achieving service objectives, such as teaching a client to cook, sew, read braille, and so on. Developing standards for common service goals and incorporating them into necessary reports would cost \$5,800 in the first year and \$4,000 annually thereafter. Time standards would allow more efficient staff loading. Status reports comparing actual performance to standard would provide a basis for supervising and evaluating programs and personnel. If operating efficiency were improved only 5% as a result, savings would more than pay for the computer application.

**46. Improve utilization of the Butner Rehabilitation Center.**

Capacity utilization at the Butner Rehabilitation Center is inefficient because the facility is poorly designed for its present use. As a result, annual cost per student was \$18,000 in 1972 based on an average population of 31. While the student load has increased to the center's working capacity of 55, the cost remains excessively high.

The working capacity of the center can be increased to 110 boarding students and costs reduced without adding to the present facility. The 30 staff dwelling units are unnecessary and should be converted to living quarters for 60 students and dormitory parents. Temporary partitions should be used to divide larger classrooms into two or three smaller teaching units. Enrollment at the center could be made more attractive by offering more short-term courses. Facilities should be shared with other agencies offering similar programs, and training should be restricted to courses which have a high student/teacher ratio.

Operating the center at a capacity of 110 would reduce annual cost per student to around \$8,000. Implementation would also avoid future costs by eliminating the need to expand the physical plant to accommodate increased student loads.

**47. Improve the cost effectiveness of managing concession stands by reducing the frequency of supervisors' visits.**

The commission operates 115 concession stands as a means of providing employment to 129 blind operators. Field representatives are required to visit about 15 stands on a weekly basis to pick up receipts and invoices, resolve minor operational problems, offer advice, and maintain contacts with lessors. However, this function has degenerated to little more than an expensive courier service.

All operators should be responsible for making their own bank deposits and mailing all accounting data to the state financial office. Once an operator has become established, field representatives' regular visits should be no more frequent than once a month. Reducing the number of visits would make it possible to increase representatives' loads to 30 stands. Four positions could then be eliminated at \$14,000 each, for a \$56,000 annual saving.

**48. Simplify accounting for concession stands.**

Accounting functions for the concession stands are performed by four accounting clerks. Stand operations are quite simple and annual sales average only \$25,000 per stand. The accounting effort is generally excessive by comparison. Functions performed for each stand include auditing weekly reports of sales and purchases and re-auditing all paid bills, maintaining cash receipts records, writing checks for rent or credit purchases, processing time cards and preparing weekly payrolls, posting records to the general ledger for each stand, as well as preparing monthly and quarterly operating reports.

The system should be simplified. Stand operators should mail deposit slips and paid invoices directly to the accounting office for preparation of monthly, rather than weekly, operating reports. Payroll entries and disbursements should be posted directly to the monthly reports. These reports should be used as permanent subsidiary accounting records to replace subsidiary general ledgers. Operators should be paid a monthly salary, in conformity with standard practice for all state employees. Implementation will reduce clerical effort without eliminating essential data. Two accounting clerks could be phased out, for annual savings of \$12,600.

**49. Collect federal matching funds for indirect costs of treating Medicaid patients in commission-sponsored eye clinics.**

The commission's general medical program is fully funded by state appropriations. Nevertheless, the

direct cost of treating patients eligible for federal medical assistance is allocated to the appropriate program for matching. Administrative costs are also allocated for federal matching, but only for patients participating in rehabilitation or Aid to the Blind programs. Approximately 16% of those treated in the commission's clinics are Medicaid patients who do not participate in the Aid to the Blind program. Thus, \$55,000 in administrative expense is eligible for 70% federal matching. Collection will result in an annual saving of \$38,500.

**50. Streamline the processing of invoices for vendor payments.**

All services purchased by the medical and rehabilitation divisions are preapproved by field personnel when authorization forms are issued. Vendor invoices, along with a copy of the original authorization, are then sent to both the district and state offices for auditing and approval.

Auditing invoices at the district level is redundant, and postaudit approval is not a meaningful control. Authorization forms signed by both field personnel and recipients are adequate evidence that services have been approved and received. Billings should be sent by vendors directly to state headquarters for audit and payment. This procedure would reduce clerical staff in the district offices by two positions representing an annual saving of \$12,600.

## **Medical Care and Institutional Services**

Specialized medical and educational services are provided to the citizens of the state through operation of a sanatorium system, the Governor Morehead School for the Blind, and the North Carolina Schools for the Deaf. Tuberculosis and related pulmonary diseases are treated at the North Carolina Sanatorium, Western North Carolina Sanatorium, Eastern North Carolina Sanatorium, and Gravelly Sanatorium.

The sanatoriums' policies are established by a part-time board appointed by the Governor. Each is administered by a medical director and an administrative director. The operating budget for fiscal 1973 was \$10.4-million, with an estimated 24.8% of total cost offset by receipts from patients. Fees were \$32 per day, although the portion of daily fees charged is based on each patient's ability to pay.

The average daily patient census for calendar 1972 was 692, or 63% of capacity. As of May 1973, only 57% of capacity was being utilized. New drugs developed during the last 15 years have reduced the average stay at tuberculosis hospitals from 450 to 70 days. Faster turnover of patients has caused a



50% reduction in average daily population since 1968, even though the total number of patients has increased each year. The sanatorium system employs 939 persons, an average of 1.43 employees per patient.

With the declining census in the sanatorium system, it is not economically feasible to continue operating all the present facilities. Current staffing is also excessive. The fees charged to employees for housing and cafeteria services are insufficient to recover actual costs.

Primary and secondary education for the state's blind and deaf children is provided at four 10-month residential schools: The North Carolina School for the Deaf at Morganton, The Central School for the Deaf at Raleigh, The Eastern North Carolina School for the Deaf at Wilson, and the Governor Morehead School for the Blind at Raleigh. With the exception of a \$50 incidental fee at the deaf schools, attendance is free. Academic curricula correspond to those in other public schools, and the program is supplemented by vocational training at the junior high and high school levels. All four schools are accredited.

Enrollment at the Governor Morehead School has remained around 350 for the last 5 years. This lack of growth is attributed primarily to development of special education programs for blind children in local public schools. During the same period, per capita appropriations increased from \$2,400 to \$5,100. Total appropriations for fiscal 1972 amounted to \$1.7-million. The school's superintendent is elected by a part-time board of directors appointed by the Governor. He supervises 212 employees through seven department heads. The school presently operates two campuses, one on Ashe Avenue in downtown Raleigh and one 4 miles southeast of the city on Garner Road. However, administrators feel this arrangement has promoted operating inefficiency, and they have proposed consolidation on the downtown campus. Appropriations of \$3.6-million for capital and program improvements have been requested.

The three schools for the deaf provide instruction through the eighth grade for students in their respective regions, and all high school students attend the Morganton school. Each institution is administered by a superintendent who operates autonomously under the North Carolina Directors of Schools for the Deaf, a part-time board. Total enrollment for the 1972 academic year was 1,036, with 600 at Morganton, 80 at Raleigh, and 356 at Wilson. Appropriations amounted to \$3.9-million. Since 1962, enrollment has increased 200% and appropriations have risen 400%. Special education programs in local public schools have diverted some

potential students in the past few years. No significant increase in enrollment is anticipated in the near future, but a new \$4.7-million, central school with a capacity of 200 resident students will be opened in Greensboro by 1975.

The Governor Morehead School and the State Schools for the Deaf provide high quality education for the state's visually and aurally handicapped children. Annual per capita appropriations were \$5,100 at the blind school and \$3,800 at the deaf schools in 1971/1972. At the Governor Morehead School, both existing and proposed programs have apparently not been coordinated with other agencies to prevent overlaps and duplication. The autonomy of the three deaf schools has impaired coordination, and has resulted in some duplications of effort and inconsistency in procedures. On the other hand, cooperation between the Morganton School and Vocational Rehabilitation personnel has promoted full utilization of available federal funds.

## **RECOMMENDATIONS**

### **51. Close the Western North Carolina Tuberculosis Sanatorium and transfer its patients to the remaining three sanatoriums.**

The sanatorium system is faced with a declining need for its 1,102-bed complement, as the average number of patients being treated at any one time is currently 625. The Western Sanatorium does not meet current hospital standards. The renovation cost necessary to bring it into compliance would be approximately \$3-million. The average number of patients at this sanatorium is now approximately 150. These patients should be moved to vacant beds at the other three sanatoriums, thus bringing them up to approximately 75% of capacity. The Western Sanatorium should then be closed. Net annual savings of about \$2.3-million would result.

### **52. Dispose of assets of the Western Sanatorium.**

Following the proposed closing of the Western Sanatorium, its land, buildings, and equipment should be sold unless they can be used to fill other state needs. The total value of the property is \$6.7-million, with buildings appraised at \$5-million, contents at \$680,000, and land at \$585,000. The building is a one-purpose facility, and may not find a buyer. However, a one-time income of \$585,000 for the sale of 117 acres of land would result.

### **53. Sell the seven employee houses located on the southern edge of the Western Sanatorium property.**

These houses, numbered 29 through 35, are in good condition and have recently been covered with aluminum siding. They are located on land which is not directly associated with the sanatorium. This land has no long-term value to the state, regardless



of how the sanatorium property is ultimately used. These units would sell for approximately \$15,000 each, bringing the state an estimated \$105,000 in one-time income.

**54. Project cost figures and establish sanatorium patient fees which reflect current expenses as nearly as possible.**

Fees presently charged patients are based on cost figures 2 years old. For example, fiscal 1972 operating costs were \$38.65 per patient day, while the daily fee was \$27. This would not have met fiscal 1970 expenses of \$28.36.

A simple projection of costs should be made and patient fees established which more adequately cover actual costs. Such a projection indicates the fiscal 1974 patient fee should be at least \$50 per day instead of the \$39 that will be charged. Based on fiscal 1972 records, 7.5% of the 288,000 patient days can be expected to be paid in full. In fiscal 1974, the projected \$11 fee increase would provide the state \$237,600 of additional annual income.

**55. Establish prices in sanatorium employee cafeterias which more closely approximate the costs involved.**

Receipts of about \$99,500 were collected for the 239,257 meals served in employee cafeterias for fiscal 1972. This represents an average price of \$0.42 per meal. The average cost per meal served, including patients, during the same period was \$1.78 for food, supplies, salaries, and incidentals. Comparisons show prices are only 33% of a representative commercial rate. The prices for employee cafeteria meals should be doubled, providing additional income of \$100,000 annually.

**56. Increase rent for state-owned housing on North Carolina Sanatorium property.**

Presently, 53 state-owned houses are rented to employees of the North Carolina Sanatorium at McCain. Rents have not changed in 15 years. The residences are in good condition and are well-maintained at state expense. Inspection indicates a private company would charge 2.5 times the present rate. These rents should therefore be doubled. This action is very conservative and would result in \$22,400 additional annual income.

**57. Eliminate 14 dietary positions at Eastern North Carolina Sanatorium.**

The number of dietary positions at the Eastern Sanatorium is the same as it was 20 years ago when all wings were in use and all beds filled. However, only half of the hospital is now in use. A comparison of dietary positions between the three large sanatoriums indicates 14 of these positions are unnecessary and should be eliminated. Annual savings of \$63,400 would be derived.

**58. Abolish 10 housekeeping aides' positions at Eastern North Carolina Sanatorium.**

The present number of housekeeping positions at the Eastern Sanatorium is based on full occupancy. However, only half of the hospital is now being used. Comparison of housekeeping positions with those of the other large sanatoriums indicates 10 of these positions should be abolished. Annual savings of \$46,000 would result.

**59. Eliminate 36 positions after consolidation of the Governor Morehead School's downtown and Garner Road campuses.**

Previous studies have identified 33 positions to be eliminated when the school is consolidated on one campus. In addition, three positions were identified for elimination by this task force. The total of 36 consists of six duplicated administrative and teacher support positions, including one principal, 18 kitchen and dining personnel, and 12 heating plant and maintenance staff. Based on fiscal 1973 data, annual savings of \$244,000 will result after consolidation in 1977. Of this amount, \$22,000 is related to the three positions identified by this study, and only this portion is claimed.

**60. Utilize for other purposes, or sell, excess land at the Garner Road campus of the Governor Morehead School.**

Only 35 of the 384 acres comprising the Garner Road campus are currently being used. A portion of the unused land is leased for farming, but it is producing only \$1,100 per year in rental income. The property is well situated for industrial usage, and its value has been estimated at \$3,000 per acre. A better use should be found for this land, or it should be sold. Proceeds of the sale would be about \$1-million.

**61. Continue sending deaf-blind children to regional schools instead of developing identical in-state programs.**

The Governor Morehead School presently pays \$22,000 annually to send four deaf-blind students to special schools in Alabama and Massachusetts. The number of these children is expected to rise to 10 or 15, as a result of a rubella epidemic in the 1960's. This will be only a temporary increase, after which the number is expected to drop again. However, a portion of the \$3.6-million requested for consolidation of the school's two campuses has been earmarked for development of a deaf-blind program. Projected costs average \$220,000 per year. At the expected enrollment level, it would cost only \$90,000 per year to send the children out-of-state and this practice should be continued. Utilizing existing schools would leave the state in a more flexible position and would avoid approximately \$130,000 in unnecessary expenses each year.

**62. Close the school-operated laundry and contract with the Central State Prison for service.**

The Governor Morehead School presently operates its own laundry at an annual cost of approximately \$47,000. The Eastern North Carolina School for the Deaf, which has virtually identical requirements, receives satisfactory prison laundry service for only \$15,000 per year. The Governor Morehead School should eliminate its laundry facility and take advantage of service available at the Central State Prison. This would produce estimated annual savings of \$32,000 as well as a small income from sale of the school's laundry equipment.

**63. Reduce the scope of medical services offered on campus.**

A full 20-bed infirmary is operated at each of the Governor Morehead School's two campuses, even though hospitals are located within a 5- to 10-minute drive. Four nurses and one maid are employed, and the total annual cost is approximately \$55,000. Only about 90 students were admitted to each infirmary during school year 1971/72, and the maximum number admitted on any day was three. The following actions should be taken to bring the medical program into line with requirements:

- ▶ Reserve three or four small rooms in a dormitory or administration building for an infirmary, and close the existing building.
- ▶ Set up an isolation room adjacent to cottage parents' apartments in each dormitory. Many students now admitted to the infirmary could then be looked after by their counselors.
- ▶ Reduce infirmary staff to two nurses.

Closing the infirmary buildings would save \$8,000 in maintenance and utilities expenses. Eliminating one maid and two nurses would conserve \$21,000. Total annual savings would thus be \$29,000.

**64. Coordinate vocational training programs with the Commission for the Blind to obtain maximum federal participation.**

Vocational training courses account for \$100,000 of the Governor Morehead School's academic budget. Federal funds are not being sought, even though approximately \$30,000 of these expenses would qualify for matching on an 80% federal/20% state basis. In addition, part of the \$850,000 cost of the proposed vocational building could be funded on a 60% federal/40% state basis.

Coordination between this school and the Commission for the Blind has been ineffective. To take full advantage of available federal rehabilitation funds, vocational programs at the school should be placed under direction of the commission. Minimum savings of state funds would be \$24,000 per year.

**65. Reorganize the schools for the deaf to provide efficient operation as a consolidated unit.**

Presently, each school superintendent operates as an independent agency head. He is responsible for developing programs and policies for his school and for representing it before the legislature and the general public. The board of directors is given authority to make overall policy decisions and to coordinate the activities of the schools, but it meets only four times a year and is not able to provide real leadership. Inconsistencies in staffing policies and operating schedules exist.

The schools should be reorganized under a single superintendent, with the board of directors continuing in an advisory capacity. The superintendent would be responsible for general supervision, planning, and relations with the legislature and general public. Assistant superintendents would manage day-to-day operations of the three schools, and one of the present superintendents could be eliminated. The new structure would provide better coordination as well as continuing improvements in cost control. Elimination of one superintendent and his secretary would yield savings of \$27,000 per year.

**66. Establish a central business office.**

Each of the schools for the deaf now has its own business office. All budgetary accounting, purchasing, disbursing and payroll accounting are performed at the school level.

A central business office should be established. Budgeting could then be performed for all three schools as a consolidated unit, thereby eliminating duplication of effort in this area. A position could be created to effectively handle all purchasing and personnel matters. In addition, better utilization of personnel through job specialization would result. Implementation would require development of more clearly defined paper flow procedures. Two business officers and two clerks would be eliminated, and a purchasing/personnel officer would be added, for net annual savings of \$30,000.

**67. Centralize responsibility for educational media production, and eliminate duplication of facilities.**

Specialized educational media for deaf children are very important for the schools' academic programs. The availability of such materials from outside sources is limited at this time, forcing in-school production of most materials. The Morganton School has a well-equipped media department which includes a library of over 600 captioned films, various film strips, slides, and transparencies, as well as a television studio with over \$200,000 of equipment used to produce captioned video tapes. Media de-



partments at the other schools are not as well developed, although a \$215,000 television studio is planned for the new school at Greensboro.

Currently, there is little interchange of media between the three schools, and a certain amount of duplication of effort exists. For maximum benefits, resources currently available should be funneled into a single department at Morganton. Each school would have a complete media library supplied by the newly centralized department. The Morganton unit would also be responsible for receiving requests for new materials and providing such items in triplicate, one copy for each school; producing all video tapes and the bulk of other special materials; maintaining a current catalog of materials available; as well as distributing captioned films and video tapes borrowed from the Southeastern Media Center.

No overall increase in budget requirements is expected — merely a shifting of current resources to the central facility for greater production efficiency. Consolidation would make the planned television studio at the new Greensboro school unnecessary. A one-time cost avoidance of \$215,000 would result from eliminating the project.

**68. Change weekend operating schedules at the central and eastern schools to conform with Morganton policy.**

School officials have determined it is clearly in their students' best interests to have them spend as many weekends as possible in their homes. This also aids the state, since curtailment of activities on weekends reduces operating costs. Weekend schedules at the three schools vary widely, as do staffing levels.

At Morganton, elementary school dormitories are closed every weekend, and the junior high dormitory is closed one weekend per month. The policy of the Morganton school should be adopted at the other schools. This would allow two-thirds of the dormitories at the eastern school to be closed each weekend, and the entire school once a month. The central school, which will not include junior high students for several years, would be completely closed each weekend. Combined weekend operating expenses would be reduced by an estimated

\$129,600 per year, net of continued operations and the cost of providing transportation for indigent students.

**69. Reduce dormitory attendants at the central school.**

Students at the central school are cared for by three shifts of employees: dormitory attendants at the beginning of each day and on weekends; classroom teachers during school hours; and dormitory teachers from 2 p.m. until bedtime on school days. At the other schools, dormitory parents perform the combined duties of these dormitory teachers and attendants. The ratio of students to custodial personnel at the central school is 5 to 1, compared with 10 to 1 at the other schools.

The central school should adopt the other schools' staffing standards. Six dormitory attendants could then be eliminated, for savings of \$30,000 in fiscal 1974. After 1974, savings will increase to \$60,000 per year because of enrollment and staff increases scheduled to go into effect when the new campus at Greensboro is opened.

**70. Utilize the Eastern North Carolina Sanatorium in place of the infirmary at the Eastern School for the Deaf.**

This school, with an enrollment of 356 students, operates a full-time 40-bed infirmary. Five nurses and one maid are employed, and total operating costs amount to \$50,000 per year. Approximately 250 students were admitted to this infirmary in fiscal 1972, and its maximum daily population was 16 during a flu epidemic.

The school is located within 100 yards of the 342-bed Eastern North Carolina Sanatorium, which is presently operating at 60% capacity. Students could be accommodated at this hospital without increasing staff. Therefore, the school infirmary should be closed, and four nurses and the maid should be eliminated, for annual savings of \$33,000 in salary expense. One nurse, with an office in the hospital, should be retained to perform routine duties. In addition to direct savings, 10,500 square feet of heated space would be made available for other uses.

## Department of Transportation

This department is headed by a secretary and is composed principally of the Highway Commission, Office of Motor Vehicles, and State Ports Authority, as well as the Governor's Highway Safety Program. Reporting to the secretary is the Deputy Secretary

for Transportation and the Assistant Secretary for Management who has responsibility for the Personnel, Automated Data Processing, Fiscal, and Purchasing sections. Also reporting to him are the Assistant Secretary for Transportation Planning and



several individuals, commissions, boards, and committees. The following sections of this report deal with major functions and offices for which significant recommendations could be made.

## Assistant Secretary for Management

This office was recently organized to centralize related management functions which cut across all divisional lines. Presently, four separate sections have been established which encompass personnel, data processing, fiscal, and purchasing areas. Plans include a management analysis section.

The Personnel Section is charged with recruitment, training, recordkeeping, classification, review, and other duties related to employee policies and procedures. Automated Data Processing is being organized to operate data processing equipment and centralize control of systems and programming. The Fiscal Section, headed by a controller, is responsible for accounting, auditing, payroll, insurance, and compensation. Purchasing administers activities related to acquisition of goods and services. It is also responsible for copying and stockroom maintenance.

Development of this centralized staff structure is a significant step forward. Some areas already show positive results. In others, the framework has been established but actual centralization of administrative responsibility, equipment, and facilities has not been accomplished. Problems of duplication, lack of formalized policies and procedures, and poor lines of communications still exist. Details and recommendations dealing with each of the present four staff sections are covered separately.

### RECOMMENDATION

#### 1. Transfer control of central equipment operations to the Office of the Assistant Secretary for Management.

To promote better equipment utilization and divisional productivity, field equipment maintenance operations should be transferred to the 14 highway divisions, as covered elsewhere. The central organization, which presently sets policies and procedures, should be moved from the Office of Assistant Chief Engineer for Construction and Maintenance to that of the Assistant Secretary for Management. Equipment operations could then be expanded to include the Office of Motor Vehicles, State Highway Patrol, and State Ports Authority. Arrangements should be made for local equipment units to service vehicles operated by all department personnel. The move would also enable the Purchasing and Fiscal Sections to work more closely with the equipment organization on procurement, accounting, and the like. A significant reduction in

one-time vehicle replacement and annual maintenance costs, should result. However, further evaluation is needed to determine savings.

## Personnel

This section recruits, classifies, evaluates, places, and trains approximately 14,000 regular employees of the department. It also administers and interprets departmental personnel policies, adheres to guidelines established by the State Personnel Office and Department of Administration, and ensures compliance with federal Equal Employment Opportunity (EEO) standards.

In early 1973, the staff totaled 25, but plans were approved to add 21 more people in field services. Directors supervise the three sections. Administrative Services is responsible for processing personnel forms, preparing reports, maintaining budget information, coordinating retirement procedures, along with posting and maintaining individual files. Classification and Training Services operates career development programs, maintains cooperative programs, recruits civil engineers and technicians, makes position reclassification studies, and conducts in-service training programs as well as management seminars. Field Services provides professional personnel assistance on the local level. Three regional field service locations and 14 divisional field offices are maintained throughout the state, in addition to two Raleigh offices.

A state of uncertainty, poor communications, and confusion prevails in this section. There is a lack of solid direction.

### RECOMMENDATIONS

#### 2. Eliminate all job vacancies within the department which remain vacant for a 90-day period.

Presently, there are approximately 500 unfilled regular jobs throughout the department. Some of these are not really needed. If a job has been vacant for 90 days, it should be eliminated. Subsequently, the position should not be filled unless it can be justified. If 100 vacant jobs at an average annual pay rate of \$6,300 were eliminated, an annual cost avoidance of \$630,000 per year would result.

#### 3. Abandon plans to employ four EEO field representatives.

Under the recent reorganization, three regional personnel officer positions were established and located in the western, central, and eastern parts of the state. Also, 14 additional personnel officers were assigned to serve the operational divisions. These officers should be able to carry out a sound EEO program without further assistance. Elimination of

the four EEO representatives would provide an annual cost avoidance of approximately \$40,000.

**4. Require personnel who operate vehicles and equipment or perform manual labor to have a physical examination prior to hiring.**

During calendar 1972, the 14 highway divisions had 2,710 accidents and 417 injuries, resulting in 8,326 lost days. One of every nine state-owned vehicles was involved in a collision. This section should require thorough physical examination of departmental employees who operate vehicles and equipment or perform manual labor. If personnel are physically able to perform assigned duties, accidents and injuries should be reduced. Examinations would also help to avoid hiring persons with preexisting physical problems.

**5. Reduce the staff in the central personnel office.**

Since January, three clerks and one personnel officer have been shifted to the central personnel office from the Office of Motor Vehicles. Also, there is a vacant personnel assistant position in the administrative section. A work measurement study should be done within the central personnel office to determine its needs. At present, three clerical employees and one personnel officer or analyst should be eliminated. By better staff utilization, the office could be maintained at this level. Annual savings of \$26,500 would be realized.

### Automated Data Processing

Two large systems presently perform automated data processing (ADP) functions in the Department of Transportation, one for the Highway Commission and the other for the Office of Motor Vehicles. Prior to 1971, the two installations served separate government agencies. For practical purposes, they continue to operate separately.

The Highway Commission operates a large third-generation computer. Its ADP section has 51 employees and is subdivided into systems and operations units. The total ADP budget was \$809,000 for fiscal 1973. The systems unit provides support to the Fiscal Section. Major applications include payroll, fund accounting, indirect costs, equipment operation, and federal aid accounting. The operations unit runs the computer two shifts per day, for an average of 255 metered hours per month. All work is run in batches, utilizing punched cards. Data conversion is performed by keypunch operators, and a minimum amount of tab equipment is utilized.

Outside of the fiscal area, there are four small programming groups that provide systems and programming support to Planning and Research, Traffic

Engineering, Roadway Design, and Bridge Design, respectively. Their combined work load demands 33% of the total computer time. Primary applications include traverse and earthwork computations; traffic analysis, surveys, and planning; as well as accident analysis and project status. These four groups are being organized into two sections, with leaders reporting to the director. This leaves three systems and programming groups.

The Data Processing Division of the Office of Motor Vehicles operates a real-time computer center to store and produce information for other divisions within the office. It also provides information to the federal government, other state departments, local governments, and private organizations. The division has a complement of 90 employees and is subdivided into systems, programming, operations, general data-conversion, input-output editing, and seasonal vehicle registration data-conversion sections. Its director reports to the Director of ADP. The total operating budget was \$1.8-million for fiscal 1973, and income of \$776,000 was expected. Computer systems are integral to the activities of the office's operational divisions. Major applications include maintaining records on the 3.1-million drivers, 3.4-million motor vehicles, as well as motor vehicle salesmen, distributors, and factory representatives. Systems also process data from the state's 5,718 vehicle inspection stations, collect and report information pertaining to Highway Patrol activities, and maintain records of accidents.

Data processing within the Highway Commission is improperly organized. Computer applications have not been developed to serve overall needs, and present systems provide very little information for management. The engineering computer group's ability to serve the design staffs is hampered by the slow response of batch operating procedures. Accounting work is processed on a monthly cycle basis, and reports are not completed until about 3 weeks following month-end. Five separate programming groups are developing computer applications without any clear definition of areas of responsibility. Ineffective coordination has resulted in a lack of uniform standards and operating procedures. Operations are hampered by inadequate working and filing space.

The standard of service provided to the Office of Motor Vehicles is high. The latest techniques and equipment are utilized and the Data Processing Division is well-organized. However, the principal user divisions are not taking full advantage of the computer. A considerable amount of manual clerical effort is still performed which either duplicates computer processing or could be easily adapted to present systems. Also, although the computer is available at all hours for inquiries from the Police Infor-



mation Network, most processing is done during the night shift. Time is available during the day shift for additional computer production work.

## **RECOMMENDATIONS**

### **6. Restructure the data processing section in the Highway Commission to serve the overall needs of the commission.**

The present organization does not allow proper control and coordination of activities. The commission's ADP sections should be further reduced to one systems section and one operations section.

The systems unit would be equally responsive to administrative, fiscal, planning, research, and engineering needs. Its staff should include a fiscal analyst, a planning analyst, and an engineering analyst to ensure areas which previously had their own data processing sections would continue to receive good support. Special emphasis should be placed on planning and developing computer systems and data bases which would serve the entire commission.

A computer steering committee should also be established to determine priorities, review major proposals, and promote and approve long-range data processing plans. This committee should consist of the Assistant Secretary for Management, the Chief Engineer of Operations, the Chief of Planning. It should conduct formal meetings on a regular basis. The Director of ADP should be an ex officio, non-voting member.

In addition, those personnel now performing data handling, editing, and control functions in Roadway Design as well as Planning and Research should be transferred to the operations section. They would help staff a new input-output editing and control section.

### **7. Replace keypunch equipment in the Highway Commission.**

Current punch card methods are too slow. Operator productivity can be increased by at least 30% by installing more modern equipment. Switching to tape, disk or direct entry systems would allow elimination of seven positions, with a slight increase in rental. Net annual savings would be approximately \$47,900.

### **8. Eliminate the Assistant Computer Operations Manager's position.**

The current level of work and number of personnel does not justify having three layers of management in the Highway Commission's computer operations section. The first shift supervisor could perform the supervisory duties of the assistant manager, and this manager's position should be eliminated. This would provide savings of \$15,000 per year.

### **9. Establish a data control group in the Highway Commission's ADP operations section.**

Coordination of activities is presently inadequate. A data control group should be established to maintain the computer production schedule. It would organize the efforts of using departments, the key-punch unit, and the operations section. Control personnel would log production information; edit source data; schedule conversion; prepare, deliver, and schedule work on the computer; as well as balance, file, and distribute finished outputs. This section should be staffed from the operations section and also from those personnel who are presently doing data control work in Roadway Design and Planning and Research. Its supervisor should report to the Computer Operations Manager. No additional personnel would be required. Better control would reduce confusion, increase output, and give priority to the most urgent needs.

### **10. Introduce security procedures in data processing centers.**

There is no backup for present programs, and their loss would be highly disruptive. A comprehensive security procedure should be developed to protect the data centers from fire, theft, and vandalism. The computer center and the data files should only be available to authorized operations personnel.

### **11. Improve procedures in the Highway Commission's ADP operations section.**

At present, uniform standards and operating procedures are lacking. Several steps should be taken to improve efficiency, including:

- ▶ Work out an improved schedule with the using departments for all computer production jobs.
- ▶ Develop and implement one set of computer operating procedures for all work processed.
- ▶ Require all production work to be run by computer operators for improved efficiency.
- ▶ Establish a position of tape librarian, and develop an adequate filing procedure for all systems. Copies of all master files should be stored at another location for backup protection.
- ▶ Maintain production and efficiency records on all data-conversion work performed by the key-punch section. Unnecessary traffic should also be eliminated in this section.

### **12. Lease time-sharing service for engineering problem-solving in the Highway Commission.**

Engineers must now wait a full day for solution of problems. Adequate service is not available in state government. A number of companies in the Raleigh area provide real-time computer problem-solving capability through low-speed terminals. One or



more of these terminals should be placed in the engineering design areas to improve utilization of personnel. An annual cost of \$5,000 would be incurred.

## **Fiscal**

The Fiscal Section is responsible for maintaining financial records for the department. It provides financial services for three major areas: Highway Commission, Office of Motor Vehicles, and Governor's Highway Safety Program. The section has 92 employees and a fiscal 1973 budget of \$879,400.

The Highway Commission's Fiscal Section has four operating units. Accounting coordinates with the Office of the Budget, prepares and records all cost records, maintains an accounts receivable system and a detailed work order cost file, collects and deposits funds, maintains records of contracts and leases, and approves purchases as to availability of funds. Also, it identifies federal funds receivable and maintains a file supporting each federal aid transaction. Commercial Accounts preaudits invoices and documents presented for payment, establishes priorities for issuing warrant requests, and maintains an inventory of unpaid requests. It also maintains a file of all contracts, as well as preaudits employee expense vouchers to make certain they are within the state guidelines. The Audits Unit makes internal audits of all commission activities as well as external audits of utility and railroad invoices, engineering consultant invoices, and municipal agreements. The Payroll, Insurance, and Compensation Unit prepares payroll data and periodic tax reports as well as administers a group hospitalization policy and the workmen's compensation program.

In the Office of Motor Vehicles fiscal activities are carried out by four units. Disbursements and Budget maintains all accounting records relating to disbursing and releasing budgeted funds. It also prepares budget requests and issues monthly performance reports; approves purchases as to availability of funds and posts to accounts; prepares the monthly payroll for office personnel; as well as audits, verifies, codes, and prepares drafts for all invoices and expense accounts. Branch Agents Accounting receives certificates of deposit and compares them to daily cash reports submitted by branch agents. In addition, it prepares a daily posting summary and computes monthly settlement checks. Collections receives, records, and deposits all Motor Vehicle collections and prepares daily reports showing collections for the day, month-to-date, and year-to-date compared to the same periods a year ago. It prepares a monthly and a fiscal year-to-date reconciliation with the state treasury and reconciles bank statements. In addition, it receives, sorts and delivers all mail for the office. Cashier, Bad Checks, Refunds makes bank deposits daily and writes re-

ceipts for cash collections. It prepares billings, records collections for bad checks, and writes refund checks.

In the Governor's Highway Safety Program the fiscal unit maintains all the accounting and financial records, reports, payroll data, and budget information. Funding is included in the commission's budget.

Working conditions for the majority are undesirable, as several individuals are often crowded into what should be a one- or two-man office. The major emphasis of Highway Commission accounting reports is on administrative budgets which comprise only 4% of total expenditures. Reports on the 96% of expenditures charged to work orders are neglected. Division engineers are responsible for administering programs to meet approved projects, but they are not given sufficient flexibility in managing budgets. Reports to divisions do not encompass requisition accounting and information is not available on a timely basis. Also, the amount of funds available for encumbrance by account cannot be accurately ascertained. Reports to management are cumbersome and contain all details by line item. These detailed reports are issued approximately 20 days after the close of a month's transactions. They are distributed to several people throughout the department without proper consideration of who should be receiving them.

## **RECOMMENDATIONS**

### **13. Issue vouchers to recover federal aid on a semimonthly basis.**

Vouchers are presently issued only once a month. They should be prepared on a semimonthly basis to make federal aid monies available 15 days earlier each month for investment purposes. The expected monthly federal aid for fiscal year 1973 was approximately \$9.2-million. At 6% interest, the suggested procedure would earn additional income of \$138,000 annually.

### **14. Discontinue the present policy of reimbursing employees for meals when they are not away from home overnight.**

The Highway Commission presently reimburses certain employees for the expense of meals, within specific limits, if the employee is more than 10 miles away from his duty station. The Internal Revenue Commissioner has long held that being away from home overnight is a prerequisite to travel status. The U. S. Supreme Court has upheld this ruling. To be consistent with other state agencies, the commission should discontinue reimbursing employees for meals unless they are away from home overnight. Based upon a test of expenses made during the month of July 1972, an annual saving of \$342,600 would result.

**15. Bill the federal government for retirement and social security funds.**

Under current procedure, a certain amount is allocated to the state each year, and the commission does recover these expenses over a period of years. However, the federal government should be billed so the state can recover its costs more quickly. During fiscal 1972, wages, overtime, and the like, for federal construction totaled \$13.3-million. Social security and retirement payments totaled \$1.89-million. Prompt billing should recover these funds in half the time. If the total were invested at 6%, the commission could earn additional interest income of \$56,600.

**16. Perform Highway Commission accounting functions on a current basis.**

The present accounting system for the Highway Commission is geared primarily to monthly processing. All funds and expenditures are posted at the end of the month, and reports are issued approximately 20 days later. Thus, if an invoice is paid on the first of the month, there is a 50-day delay before it is reflected in a published report. Many work orders result in overdrafts.

To correct the overdraft situation and provide other improvements, the system should be put on a current basis. All funds and expenditures should be processed daily, and the payroll should be posted biweekly. Also, purchase requisitions should be checked before the purchase order is written to make certain that funds are available. Computer hardware is already available, and the changeover should not result in any additional costs.

**17. Bill the federal government up to the amount allocated for each project.**

Present billing of the federal government is performed on an all-or-nothing basis. The department bills either all of an invoice or nothing. If the total allocated amount would be exceeded by an invoice, the department will hold the bill and present data to request an increase in the approved amount for the project.

The system should be changed to bill up to the authorized amount. The state would then receive federal aid much sooner. No additional costs would be incurred for implementation. Savings are not claimed because of insufficient data available.

**18. Make reports to management more concise and meaningful.**

Reports to management are currently too detailed and cumbersome. Many are well over 100 pages long. The Fiscal Section should design a concise report format for top management which would give a synopsis of the situation. If more detail is needed, the reports maintained by the controller could pro-

vide this information. In addition, the section should show percentages on many of the reports to facilitate management decision-making. Also, the distribution of reports should be evaluated. Far too many copies are printed and circulated.

**Purchasing**

This section acquires, manages, and distributes goods and services as required by the department. Presently, it has three units: Purchasing, Mail and Stockroom, and Reproduction.

Purchasing, with a staff of 26, issued about 36,000 purchase orders during fiscal 1972, for total purchases of \$63.8-million. It received, stamped, checked, and computed sales tax on 132,500 invoices. The Purchasing Officer also coordinates several similar sections of the Office of Motor Vehicles.

Mail and Stockroom has five employees and is responsible for receipt, sorting, delivery, pick-up, and dispatch of all departmental mail and other shipments. Annual postage cost is about \$65,000. A stockroom for office supplies, forms, as well as engineering supplies and equipment is also maintained to support statewide requirements. Supply costs are about \$285,000 annually. The Reproduction Unit produces engineering drawings, prints, enlargements, microfilm, and the like for all engineering areas of the department.

The Purchasing Section is well organized and staffed. At present, the Purchasing Officer is responsible for several additional administrative operations, but these nonpurchasing duties require far too much of his time. This problem has been recognized and steps are being taken to place these functions under the direct supervision of another manager.

**RECOMMENDATIONS**

**19. Raise the limit on bid purchases which may be made without approval of the Office of Purchase and Contract.**

At present, approval is required on bid purchases over \$1,500. This is detrimental to normal work flow, delays issue of purchase orders, and forces unnecessary trips by the Purchasing Officer to the Office of Purchase and Contract. The approval procedure should be eliminated on bid purchases of \$1,500 to \$2,500. This would result in a substantial time saving. Approval would still be required on purchases over \$2,500.

**20. Increase the present limitation on emergency purchases to \$100.**

The present \$50 limit is too small to cover many of the items for which it was intended, due to their increased cost. This limit should be raised to \$100. The requirement for complete written explanation



of emergency orders exceeding \$50 should also be eliminated. These changes should reduce equipment down time and effect some inventory reduction, especially of new inventory items.

## Highway Commission

The basic function of this commission is to construct, maintain, and operate an efficient and safe transportation network consisting of roads, streets, highways, and ferries. It is responsible for some 74,400 miles of highways throughout the state, as well as ferry service at six locations.

The largest portion of the highway mileage consists of 59,000 miles of secondary roads, of which over 60% has been paved. Rural primary roads total 11,800 miles and include all state, federal, and interstate numbered routes. Urban state roads include approximately 3,500 miles of streets and highways.

The fiscal 1973 budget for the Highway Commission was about \$361-million for construction and maintenance, of which approximately \$87-million was federal aid. Full-time employees number 11,450.

The present organization, shown in the chart to the right, is headed by a chairman who reports to the Highway Commission. The commission itself is composed of 24 members appointed by the Governor for terms of 4 years. They serve at the discretion of the Governor, and each highway division has at least one representative. A proposal has been made to reduce the size of this commission to 14 members and its functions to those of an advisory body.

The North Carolina Highway Commission has an excellent reputation for quality of work. However, there are areas where not enough attention is given to methods, procedures, and organization. Most of these are considered in more detailed studies of the various divisions elsewhere in this report. Organizational changes are summarized in the proposed chart on page 95. Under the present method of setting priorities of projects, there is considerable starting, stopping, and changing of schedules. This results in lost time, unused engineering work, confusion, and frustration, all of which produce low morale and inefficiency. Insufficient information for intermediate-range planning leads to indefinite work loads and causes a number of other problems.

## RECOMMENDATIONS

### **21. Redistribute the responsibilities of the proposed Chief of Project Management and Productivity Control.**

Plans have been made to establish a position to supervise project management, productivity control,

and secondary roads. However, this study suggests secondary roads be placed under the Planning and Research Division. Project control finances have already been transferred to the Fiscal Section. The remainder of the work involves scheduling and progress monitoring of planning and design and should be supervised by the Chief of Planning. Productivity control is operations-oriented and should be placed under the Chief Engineer of Operations.

In addition, an office of public relations should be placed under the State Highway Administrator. It would supervise and coordinate public relations personnel in the planning group, division engineer's office, and other areas.

### **22. Establish a comprehensive management development program.**

At present, the commission offers limited supervisor training, as well as a 2-year program for certain new, young employees. Most managers consider the initial program valuable. However, there is little transfer of promising employees across the departmental lines. Instead, emphasis is on specialization, and personnel have little opportunity for professional growth except through the section to which they are first assigned. Such a system develops few people with broad capabilities.

A management development program should be implemented through the Office of the Highway Administrator, with the advice and support of the Personnel Section and the Chiefs of Planning and Operations. Outside consulting and management education services are available and should be used. Employees with 7 to 10 years of service should be screened and approximately 40 chosen for participation. A plan should be developed to enable each of these people to experience a tour of duty with all major functions of the commission over a 2- to 4-year period. Progress and performance should be carefully reviewed for plan revision or elimination of unpromising trainees. Such a program would help ensure an adequate supply of top-level managers.

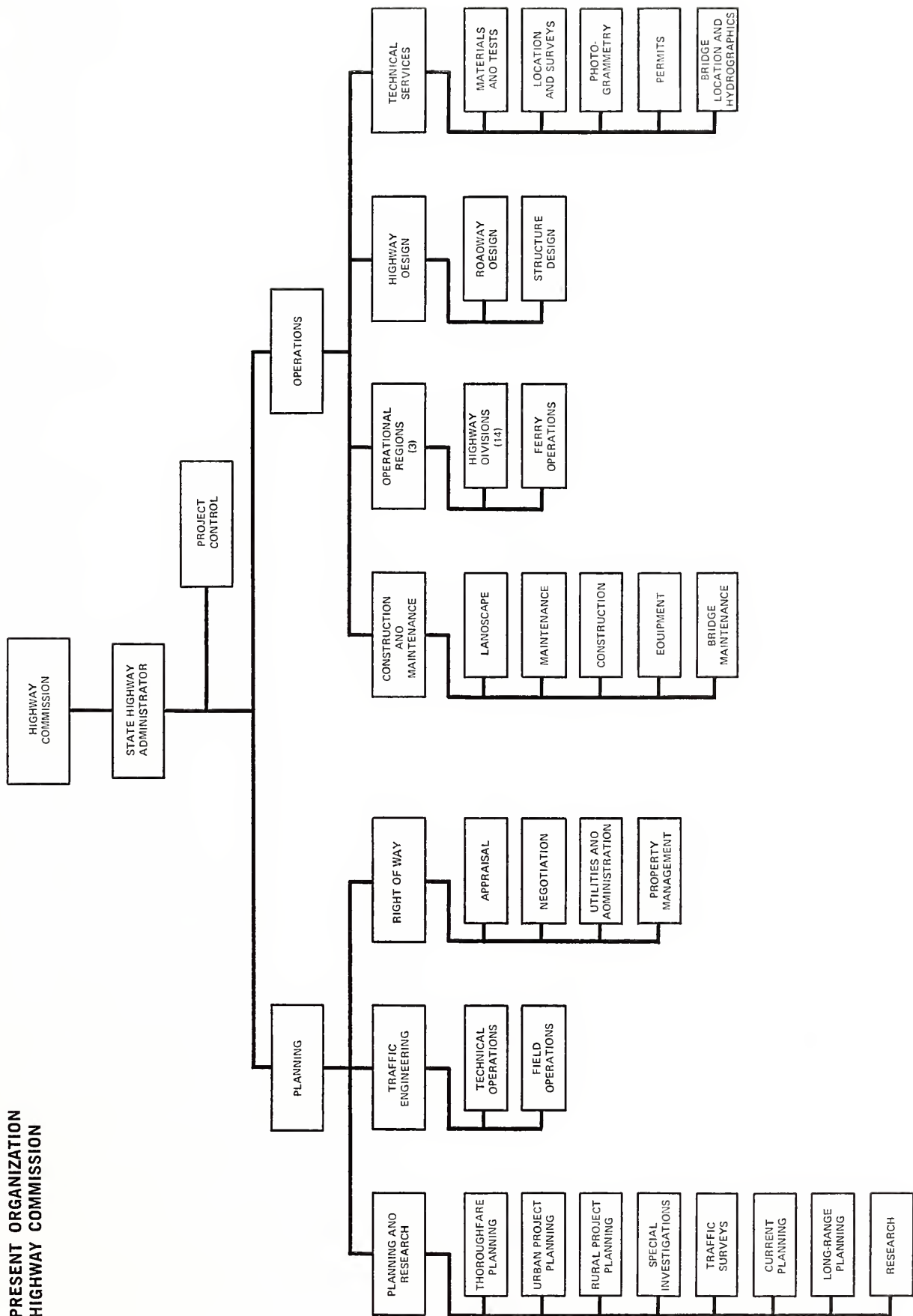
## Project Control Division

Project Control has the general responsibility of highway program management within the Highway Commission. The division is accountable for federal aid programming, authorizations, agreements, modifications of agreements, and preparation of final vouchers for federal aid projects. It also recommends utilization of funds available and generates projections of construction programs.

The division is headed by a Project Control Engineer, who reports to the State Highway Administrator. It has 20 employees and consists of four sections. The Operations Section administers the project status



# PRESENT ORGANIZATION HIGHWAY COMMISSION



information system, keeps up-to-date on federal aid procedures, develops project projections, and generates details of project information. The Administrative Section supervises the preparation of engineers' estimates, agreement estimates and modifications, as well as final vouchers for federal aid projects. It also coordinates directly with the federal aid unit of the department's Fiscal Section and develops special reports for federal aid projects and programs. The Work Order Section coordinates daily with the Fiscal Section, determines if funds are available, receives work order information from several areas of the department, prepares notes for review and approval, and distributes work orders after approval by the Fiscal Section. The Highway Records Section is responsible for developing procedures to manage records for all areas of the Highway Commission.

Project Control is presently performing many functions which are primarily financial in nature. This division has been studied three times within the last 3 years, and in each instance the study team has recommended various functions be transferred to the Fiscal Section. The Administrative and Work Order Sections will physically move to the Fiscal Section as soon as space is available. An engineering technician in the Operations Section, who initiates federal aid work orders, will also relocate. The Highway Records Section will stay in its current quarters but will be under the supervision of the controller.

The eight remaining personnel will continue to report to the Project Control Engineer. The proposed function of the restructured division would be to serve as source for all data dealing with project priorities, schedules, as well as progress and completion status.

## **RECOMMENDATION**

### **23. Eliminate one position scheduled for transfer to the Fiscal Section.**

Combining the Work Order and Administrative Sections of Project Control with the Fiscal Section should eliminate some duplications of effort. Present plans are to eliminate one person from the Work Order Section when the transfer takes place. Consolidation should allow a further reduction of one employee who is now working with federal aid work orders. Savings of \$6,300 per year would result.

## **Planning and Research Division**

The major functions of this division include developing all highway plans for primary roads and cooperating with municipal governments in thoroughfare planning. It also administers the research pro-

gram for the commission, prepares official county and municipal maps, maintains the mileage inventory of the state and federal highway systems, and conducts all traffic surveys.

The division's head reports directly to the Chief Engineer for Planning. Project planning is accomplished in four units: Thoroughfare Planning, Rural Transportation, Urban Transportation, and Special Transportation. Planning activities are supported by sections for Current Planning, Traffic Survey, and Long-Range Planning. A Research Unit is concerned with the administration of all research contracts and in-house research activities. In addition, there are five field groups. Three of these are part of Traffic Survey and perform traffic counts. Two are assigned to Current Planning for providing data for the highway mileage inventory and maps preparation. All employees are located in Raleigh, except for 45 field personnel. The operating budget for fiscal 1973 was \$2.3-million, with \$729,600 from the state and approximately \$1.6-million from the Federal Highway Administration.

Long-range planning and feasibility studies are conducted as a service to the commission. Project development is carried out by professionals within one of the four planning units. Activities include development of corridor and road plans, environmental impact studies, benefit-cost analysis, coordination with local and regional officials, and liaison with the Federal Highway Administration to qualify for federal funding. Public hearings are conducted by the Manager of Design with the participation of the planning units. Completed planning reports are submitted to the Planning Board. Approved reports serve as the basis for roadway location and design. Federal and state laws require the division to develop transportation plans for municipalities and surrounding urban areas. Continuing planning is done for all urban areas over 50,000 population.

The planning units have an approved project backlog that will extend well past 1983. No firm set of priorities has been established, and there are frequent changes in the order of work. Though this situation is not caused by the division alone, it does decrease productivity and delay implementation of approved projects. The present interval between project initiation and contract letting is 6 to 12 years. This is excessive. Recently, the work involved in plans development has been increased by requirements for public involvement and environmental impact studies. The division is not organized or staffed to perform these functions. Continuing waste of planning efforts and increasing environmental and public relations requirements are causing considerable staff frustration.

# PROPOSED ORGANIZATION HIGHWAY COMMISSION





## RECOMMENDATIONS

### **24. Improve systems for evaluating proposed projects.**

The Special Investigation Section was established to quickly prepare feasibility studies of various roadway proposals. Little use has been made of this capability in recent years. The present number of authorized projects will carry into the next decade if no projects are added and none are cancelled. Their total cost is \$1.5-billion, with currently authorized funds amounting to \$92-million. These authorized projects impose a statutory responsibility on the commission for implementation to the extent funds are available. This situation has led to varying priorities, loss of productivity, poor staff morale, and public confusion. A priority study should be made of all current authorized projects, and those of low priority should be dropped from the list.

Formal project planning may require upwards of 6 months, whereas feasibility studies for comparison purposes can be prepared within 1 week. The administrator and commissioners should base their judgments on feasibility studies and authorize only projects of merit which are consistent with projected resources. Such a systematic evaluation would permit sound consideration of all proposed roads. Variations and priority changes on this basis would not carry any statutory obligations or implied commitments to the public or the commission staff. The staff could work more efficiently, and construction of roads could begin within a reasonable time. By reducing preliminary work, about 88 positions could be eliminated for annual savings of \$825,000.

### **25. Strengthen the Long-Range Planning Section to ensure commissioners have adequate information as to developing transportation needs.**

The long-range planning function has been relatively inactive in recent years. The Long-Range Planning Section has been primarily concerned with automatic data processing. Though this service is of great value, it has not provided orderly priorities for long-range proposals in a form suitable for commission use. Certain primary roads in the state are operating above design capacity, and other developing roadway needs have not been recently studied. Data processing has been reassigned to the Office of the Secretary.

Sound planning and decision-making require adequate information on both immediate and developing roadway needs. Long-Range Planning should provide a continuing study of needs, with at least annual reporting. Costs for two additional engineering personnel would amount to approximately \$24,700 annually.

### **26. Provide adequate public relations support in matters concerning proposed new roads.**

In the past, the commission has been required to hold only one public hearing concerning new roadway plans. Beginning in November 1973, it will be necessary to hold three or more public meetings to resolve matters of public and environmental interest prior to the approval of any new road.

The efficient operation of this program will require intensive public relations support. Personnel now performing this work are civil engineers who have had limited exposure to the public and no formal training in public relations. Further, planning engineers spend 10% to 20% of their time responding to miscellaneous public requests. A professional public relations expert should be assigned to the planning and design divisions to assist in preparing for public meetings and to serve as a channel for public information requests. An annual salary cost of \$20,000 would be incurred, but savings of engineers' time and an improved relationship with the public should result.

### **27. Improve the ability of the planning staff to conduct environmental impact studies.**

Federal law requires a written evaluation of the environmental impacts of each roadway to be prepared and circulated to concerned agencies and the public. The burden of these studies has been borne by the planning and design divisions. However, there is virtually no inventory of environmental, sociological, and economic data. Also, there has been no formal training program or appropriate staffing to assist in developing impact studies.

Under more recent legislation, each state is required to prepare a management plan to involve the public in road planning from conception through at least preliminary design. A detailed study of all projects and alternatives is required, and the state's procedure for carrying out its plan must be approved prior to November 1973. A tentative North Carolina Highway Action Plan has been developed. It requires not less than three public hearings prior to right-of-way acquisition and final design stages. Effective implementation will require expertise in public relations and ecology beyond the present staff's capabilities.

The division should establish a suitable data bank of information, and appropriate economic, sociological, and environmental expertise should be made available. A highly-qualified environmentalist should be employed, at an annual salary of \$23,000, to supervise the acquisition of necessary data and to assist project engineers in developing impact studies. In due course, a citizens' advisory panel will be needed to establish liaison with environmental

organizations' leadership. Need for the professional services of both sociologists and economists will also increase. At present, these may be met through state agencies and consultants.

#### **28. Eliminate preparation of culture maps.**

The Current Planning Unit is preparing a series of culture maps required by the Federal Highway Administration. These maps are updated on a 5-year cycle and are frequently too outdated for use in project planning. Their value has declined over the years with the increasing use of aerial photogrammetry. Preparation requires the services of an engineering technician, a draftsman, and two field engineering aides. These maps are no longer needed, and the state should formally request cancellation of this requirement. Consequent elimination of four positions, plus travel expense, would provide annual savings of \$38,000.

#### **29. Replace the present skid trailer.**

The skid trailer currently used in gathering skid data throughout the highway system requires a driver and an operator. A completely self-contained skidmobile requiring only an operator to run both the vehicle and instrument panel should be purchased or built for approximately \$20,000. The new unit would provide data in digital form to be entered into the computer directly, thereby eliminating the manual data reduction and preparation needed by the current system. By eliminating one operator, savings of \$10,000 per year could be achieved.

### **Traffic Engineering Division**

This division is concerned with ensuring a safe and efficient flow of traffic on the state highway system. Its activities include the development of policies for pavement marking, traffic signs and signals, traffic channelization, speed zones, highway routing, and traffic ordinances. Analyses are made of accident frequencies, severities, and locations, and the division responds to public complaints concerning safety and traffic. It has also administered the Governor's Highway Safety Program and the Traffic Operations Program to Increase Capacity and Safety (TOPICS), although the former was discontinued in June 1973.

The division is organized under the State Traffic Engineer, who reports to the Chief Engineer for Planning. It functions through field and technical operations groups, each headed by an assistant traffic engineer. Field work is conducted by five area traffic engineers and a Field Operations Section. Technical Operations includes five sections: Design Review and Research, Signals and Geometrics, Signing and Lighting, Urban Programs, and Traffic Studies. The total staff includes 59 professionals and 53 other grades for a total of 112. Operating costs amounted

to \$1.5-million in fiscal 1972, with \$753,700 allocated by the Highway Commission, \$260,100 from work orders of other departments, and \$475,700 from the Governor's Highway Safety Program. The division initiated work orders in the amount of about \$2.75-million for road improvements.

Over the past 5 years, Traffic Engineering has experienced rapid expansion, largely as a result of increasing national concern with roadway safety. Consequently, Technical and Field Operations suffer from tenuous communication channels and some unnecessary distribution of decision-making authority. Division engineers responsible for implementing work orders have no established priorities. Further, there is no particular budgeting or planning of work load. The result is an unreasonably long time between recognition of a traffic defect and any physical improvement. There is some indication of unnecessary duplication of activities and excessive personnel. The division spends most of its time reacting to complaints and accident studies. Insufficient effort is devoted to eliminating traffic and safety problems.

### **RECOMMENDATIONS**

#### **30. Transfer the Traffic Engineering Division to the Chief Engineer for Operations.**

Although Traffic Engineering does advise on design of new roads, its principal concerns are with operational aspects. Its design recommendations are not scheduled in the highway divisions' annual work programs and often receive low priority. Communication channels within Traffic Engineering are tenuous and made even less effective by cross-communications with the division engineers.

These situations should be improved by transferring Traffic Engineering to the Chief Engineer for Operations and restructuring some functions. The five area offices should be retained, but five traffic investigation engineers should be eliminated, for annual savings of \$74,700. These offices would provide advisory services, accident site investigations, and roads surveillance to ensure compliance with standards and policies. Area traffic engineers would report to an assistant traffic engineer for field operations. Part-time stenographic services should be obtained.

A division traffic engineer should be assigned to each of the 14 division engineers. Their responsibilities would include general supervision of traffic services, development and implementation of an annual program of traffic and safety improvements, approval of driveway permits, and response to public complaints. Minor installations would also be initiated and implemented, and sites requiring extensive study or major changes would be referred to



Technical Operations. The division traffic engineer should draw heavily upon the area traffic engineer for advice and assistance.

### **31. Eliminate unnecessary activities in Technical Operations.**

Technical Operations suffers from duplicated efforts and excess staffing in several areas. A principal function of Traffic Studies has been financial administration of the Governor's Highway Safety Program. Since this program was phased out in June 1973, an engineering technician and a clerk are no longer needed. Excessive staffing also exists in the accident studies areas, and elimination of two clerks is clearly indicated.

Design Review and Research should discontinue review of ordinary driveway entrances and eliminate one engineering technician. Also, the proposed transfer of traffic engineers to the divisions would reduce demands on the Field Operations support section, and a reduction of one engineer and two engineering technicians seems reasonable. These eliminations, totaling eight personnel, would provide annual savings of \$65,300.

### **32. Develop standard traffic channels, signals, and signs.**

Approximately 50% of current requirements for channelization and signals are virtually identical. However, most are designed on a custom basis. Careful development of standard channel, signal, and sign systems would enable division traffic engineers to make installations promptly and with less effort. Standard designs should be published with full criteria for use. Savings cannot be estimated.

### **33. Develop standard procedures for preventive maintenance of signals and signs.**

Traffic lights and controls are repaired only when they fail. This results in excessive travel time and exposes the public to the hazards of inoperative signals. A properly designed preventive maintenance schedule should be implemented. It would result in estimated labor savings of \$100,000 per year for signal bulb replacement and \$50,000 per year in controller maintenance. However, no immediate savings are foreseen, since program initiation would place heavy demands on the technician staff.

The division engineers are seeking an additional traffic control technician in each division. A preventive maintenance schedule would make these personnel unnecessary and provide a cost avoidance of approximately \$140,000 per year.

### **34. Develop preventive maintenance programs for highway signs.**

There are approximately 800,000 signs on the state highway system having an average life of 4 to 5

years. The life of these signs could be improved by about 50% through a preventive maintenance program. Reduced replacement costs would provide net annual savings of \$700,000 per year.

## **Right of Way Division**

The Right of Way Division is responsible for acquisition and clearance of needed right-of-way for highway construction projects. This division reports through its director to the Chief Engineer for Planning. There are five major sections, each directed by a section head.

- ▶ Negotiation is responsible for acquisition of right-of-way and other lands.
- ▶ Appraisal estimates reimbursements to landowners. An average of 57% of the appraisal work is contracted to outside fee appraisers at an annual cost of \$956,000.
- ▶ Property Management and Relocation provides relocation and assistance to landowners displaced by acquisitions. It also maintains an inventory of property and ensures that right-of-way is cleared.
- ▶ Utilities authorizes and regulates the use and occupancy of utilities, railroads, and municipal traffic along highway right-of-way.
- ▶ Administration maintains all records pertaining to right-of-way. It also processes payments, prepares budgets, processes personnel and payroll transactions, and serves as liaison between this and other highway divisions.

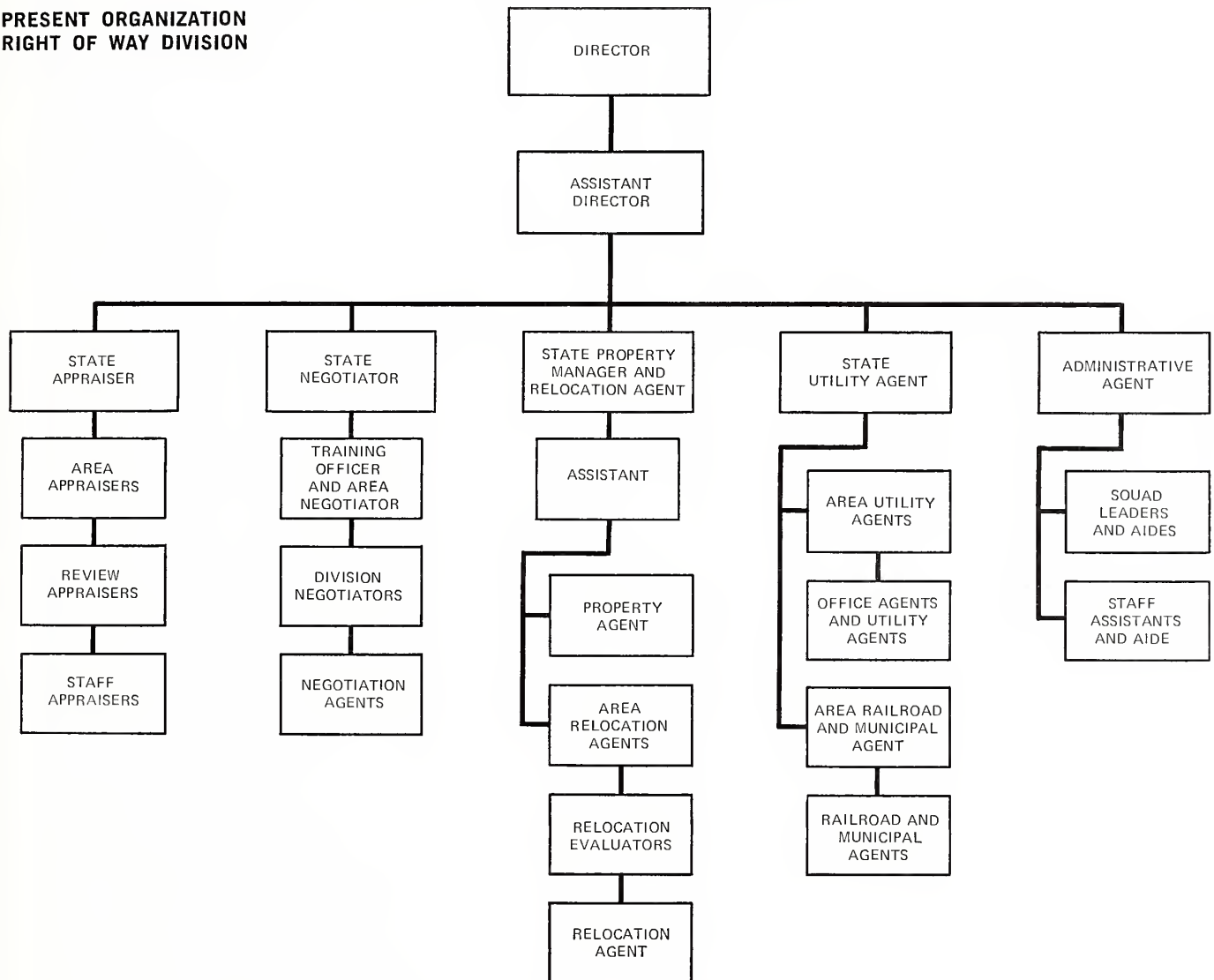
The division spent \$31-million in fiscal 1972. It controlled large expenditures for land and property acquisitions which amounted to \$27-million. The remaining \$4-million was used for administrative costs, staff salaries for its 311 employees, outside fee appraisals, and miscellaneous rents, equipment, and operating expenses.

As shown in the present organization chart to the right, the five sections report to the director. Management layers within each section affect lines of communication, decentralize field operations, and route all decision-making to the section heads in Raleigh. Many sections work independently of each other. Projects consequently lack coordination and efficient utilization of manpower, office space, and equipment.

Not enough emphasis is placed on training. Employees must be well-organized, trained professionals, especially in the critical area of dealing with landowners. Salary increases should be based on evaluation of performance and designations attained from right-of-way courses. Many inequities in the



**PRESENT ORGANIZATION  
RIGHT OF WAY DIVISION**



present personnel structure create friction and morale problems.

The commission's greatest need is the ability to set priorities, make firm decisions to carry projects to completion, and reduce time between planning and contract letting. With an earlier firm decision, this division could acquire right-of-way properties earlier and at lower cost.

**RECOMMENDATIONS**

**35. Eliminate the assistant director position.**

This division needs good administrative leadership. The present director retires in 1974 and his successor should be chosen based upon experience in right-of-way field operations, as well as management and administrative qualifications. The assistant director's

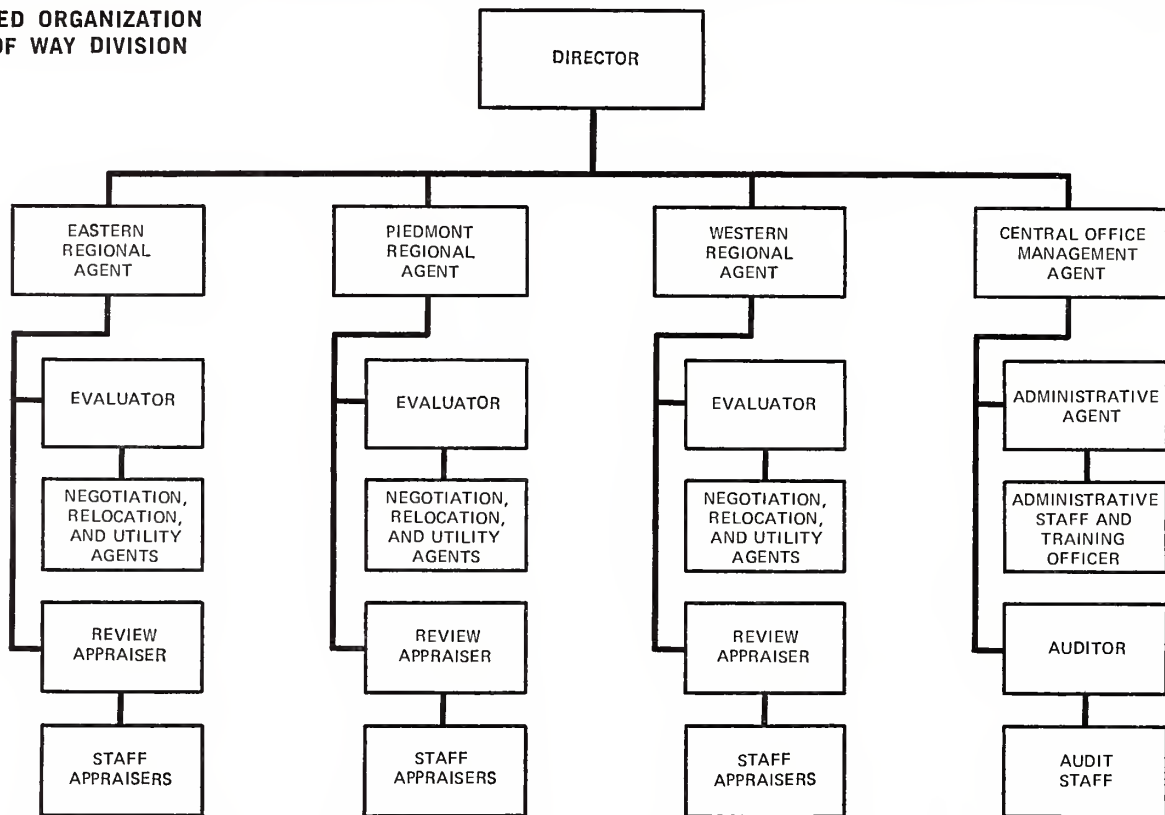
work is redundant. By hiring or promoting a new director and realigning the organizational structure, the assistant director's position can be eliminated. An annual saving of \$20,100 would result.

**36. Replace the central office section heads and the area agents with regional agents.**

Under the present organizational structure, field operations tend to be completely decentralized. This hinders efficiency, communication, and decision-making. All coordinating and decision-making are now done by the top echelons of the organization creating numerous bottlenecks.

Realignment, as shown in the proposed organization chart on page 100, would reduce layers of management, allow decision-making in field operations, provide overall coordination, eliminate dup-

**PROPOSED ORGANIZATION  
RIGHT OF WAY DIVISION**



lication of effort, and improve utilization of personnel. The 22 section heads and area agents would be replaced by three regional agents, for annual savings of \$285,000.

**37. Replace the present offices with three regional offices.**

At present, there are four different central offices (one for each section), five area appraisal offices, one area negotiation office, 14 division negotiation offices, and five area relocation offices. Operations are scattered among rented offices, division offices, and state-owned facilities.

A central office should be located in each of three regions, and all right-of-way functions coordinated and conducted from these offices. This reduction in space would provide annual savings of \$36,000 in rent. Vacated state-owned facilities and surplus equipment could be made available for other Highway Commission employees.

Consolidation will also allow better utilization of staff and equipment. Right-of-way agents can be trained to manage all phases of work — negotiation, appraisal, relocation, and utility operation. Utility functions now centered in Raleigh should be moved to the regional offices, since agents in the field now

handle all utilities on secondary roads. Elimination of 2 review appraisers, 7 division negotiators, 1 relocation evaluator, 5 staff appraisers, 21 right-of-way agents, 7 relocation agents, and 2 utility agents would provide annual savings of \$585,000.

The clerical staff should be reduced by 5 appraisal stenos, 6 right-of-way stenos, and 1 relocation steno. An annual saving of \$66,000 would result. The total annual saving from consolidation would amount to \$687,000.

**38. Eliminate divisional use of 53 state cars.**

Other recommendations call for the elimination of 53 field positions, each of which now has a state car. If these staff reductions are made, the cars can also be eliminated. An annual saving of \$108,000 in operating costs would result, along with a one-time saving of \$106,000 on the purchase of new cars.

**39. Accept short-form, value-finding appraisals up to \$2,500.**

Appraisals of \$1,000 or less currently require only a simple, short-form, value-finding procedure. These cost an average of \$25 each, while other staff appraisals cost about \$245. Value findings should be accepted to a limit of \$2,500. The number of short-form appraisals could thus be increased from an

average of 490 to 1,230 per year. This would provide annual savings of about \$162,800.

**40. Use staff appraisers for more right-of-way appraisals.**

About \$957,000 per year is currently spent for outside fee appraisals. The average fee appraisal costs \$150 more than a staff appraisal, including operating expenses. If review appraisers and negotiation agents perform all recommended short-form estimates, the staff will have 1,230 fewer annual appraisals to complete. Of an average 4,291 per year, 3,061 will remain to be done by the staff and outside appraisers. Reports show it takes 20 man-hours to perform an appraisal. After recommended reductions, the staff of 19 should produce 2,007 appraisals per year, leaving only 1,054 to be done outside. The reduced cost would be \$416,000, resulting in annual savings of \$541,000.

**41. Reorganize the central administrative section to lend greater support to field operations.**

Current organizational structure restricts the productivity of the central administrative section. Lack of coordinated effort, breakdown of communications, and inadequate field training produce numerous errors, duplication of effort, and delays in processing claims. Decision-making at the proper level is nearly impossible.

The proposed realignment calls for a Central Office Management Agent qualified to assist the director in coordinating all right-of-way functions, as well as supervise administrative and audit functions. The present assistant administrative agent's position is redundant and should be eliminated, for an annual saving of \$14,000.

There is presently an excessive amount of checking and rechecking of claim payments by the various squads which make up the section. By redistributing work loads, emphasizing cross-training, and developing better ways to manage administrative and audit duties, the office staff could be reduced from 37 to 29. One squad leader will become Administrative Agent. His staff of six will process cost records, plan distribution, and coordinate estimates, authorizations, plan changes, and field inspection reports. A second squad leader will become Auditor, with a staff of eight to check and process claim vouchers. The training officer should spend most of his time in the field motivating agents. This will result in annual savings of \$62,000.

The recommended changes will encourage professional training of field staff and ensure compliance of audit functions with standard operating procedures. The total annual saving will be \$76,000.

**42. Reduce turnover of division personnel.**

Most staff appraisers are promoted from other right-of-way sections. Currently, there is in excess

of 50% turnover every three years in the appraisal section. Many of these appraisers are just becoming qualified to serve the state when they leave.

Some career right-of-way agents are qualified to perform all phases of work, but do not want to appraise full-time. By realigning work, agents can be trained to negotiate, relocate, and appraise acquisitions. The capable, career agent should be recognized by upgrading his position as designated levels of proficiency are reached. The state should also do more to assist in professional development. Emphasis must be placed on training and keeping qualified men.

**43. Reduce processing delays by giving regional offices more authority.**

The average claim once took 2 or 3 weeks to process. It currently takes an average of 3 months to complete. Current procedures appear to have developed piecemeal, due to growth and splitting of section responsibility.

All unnecessary steps should be eliminated. Realignment of duties in the proposed reorganization should help streamline procedures. The new structure will give regional offices more authority to make administrative adjustments and other important decisions. Waiting for action by the central office will no longer be necessary.

**44. Simplify right-of-way agreements and release-of-claim forms.**

Right-of-way agreements are now drawn up in difficult and lengthy legal terms. This often creates distrust and confusion. A simple plat showing widths of right-of-way should be used, and agreements should be written more simply and clearly. This would facilitate explanations to landowners. At least 1 hour per parcel could be conserved, resulting in annual savings of \$35,000 on an average 5,000 yearly claims. The time could be used for additional in-house appraisals and is not being claimed as savings.

Furthermore, the release-of-claim form should be eliminated and the release agreement printed on the back of claim checks. Agents would then not have to waste time renegotiating claims to get landowners to sign the forms.

**45. Check and approve all right-of-way agreements before they are signed.**

Whenever an error is detected in a completed agreement, a new one must be typed and signed by the landowners. Problems then arise in getting all signers together again. Sometimes, suspicion leads to delays and pressure for higher payments. Agreements should be checked before signing. The cost of verification would be minor compared to time wasted in re-signing and possible land cost increases.



#### **46. Transfer several unrelated functions to the proper departments.**

The division should limit its activities to acquiring right-of-way and not become involved in other Highway Commission functions. Right-of-way personnel occasionally perform tasks which are properly the duty of other departments. These include:

- ▶ Searching deeds, titles, and old plans. This should be done by the Department of Location and Surveys.
- ▶ Saving special landmarks. This should be decided before assignments are issued.
- ▶ Providing accurate sketches of land, buildings, and the like. These should be furnished by qualified engineers.
- ▶ Dealing with encroachments after a road is completed. This is properly a function of Divisional Operations.

#### **47. Eliminate the position of the appraisal section coordinator.**

This position has long been vacant, and divisional performance has not been adversely affected. Eliminating the position will provide an annual cost avoidance of \$16,000.

#### **48. Increase efforts to achieve equitable out-of-court settlements.**

In fiscal 1972, right-of-way condemnation acquisitions totaled \$7.1-million. Since court awards have been considerably higher than original values, the staff should be trained and motivated to seek friendly, out-of-court settlements. Techniques should be shared in training sessions. Each staff member should be evaluated in terms of his ratio of friendly-to-unfriendly settlements. Judicious use of administrative adjustments should be encouraged by management.

### **Technical Services Division**

The Technical Services Division, is comprised of Materials and Tests, Locations and Surveys, Photogrammetry, Bridge Location and Hydrographic, and Permit Departments. The first three units include nearly 500 people and have an annual budget of approximately \$5-million. Hydrographic and Permit personnel total only about 30.

Materials and Tests ensures contractor compliance with highway specifications. It also recommends improvements in specifications, as well as type and design of pavements.

Locations and Surveys, under the State Locating Engineer, makes roadway surveys and investigations to obtain engineering data required for highway design, right-of-way acquisition, and construction.

Photogrammetry prepares topographic surveys and performs quantitative surveys for design and final payment purposes. The Bridge Location and Hydrographic Department, under the State Hydrographic Engineer, is primarily concerned with hydraulic and surface drainage. The Permit Department rates the load capacity of all highway bridges, and issues permits to oversize or overweight vehicles using them.

All three major units suffer from outmoded facilities, equipment, and procedures. To handle peak work loads, they have depended on a large number of technicians. However, the work load has fallen off sharply for Locations and Surveys and Photogrammetry, while the payroll has remained constant.

### **RECOMMENDATIONS**

#### **49. Transfer the Materials and Tests Department and Permits Department to the Office of Assistant Chief Engineer for Construction and Maintenance.**

Materials and Tests was recently transferred from the Office of Assistant Chief Engineer for Construction and Maintenance. However, it is essentially a quality assurance unit closely involved with construction and should be returned to that division. The Permit Department should be transferred to Bridge Maintenance, where proper supervision can be provided to ensure compliance with load capacities of bridges.

The head of Technical Services could then become supervisor of a Design Support Division, including Locations and Surveys, Photogrammetry, and Bridge Location. He would report to the Chief of Planning.

#### **50. Equip Locations and Surveys with modern surveying instruments and tools.**

Present surveying equipment is hopelessly obsolete. Management agrees the present survey complement of 194 persons could be reduced to 139, provided they are properly equipped. Instruments which should be purchased include seven theodolites, five desk-top calculators, 14 portable electronic calculators, 28 walkie-talkies, and 13 electronic distance measurement devices. Their total cost would be about \$146,000. These instruments, together with existing equipment, should be assigned evenly to 14 groups serving the 14 divisions.

The annual savings in manpower alone, based on reduction of 55 employees at an average salary of \$11,500 per person, would be \$632,500. Other benefits would include reduced vehicle rental costs, as well as greater accuracy and productivity.

#### **51. Place the airplane and pilot used for Photogrammetry in a state pool.**

Photogrammetry has virtually monopolized a twin-engine airplane rented from the Equipment Division

at an hourly rate of \$170. Average annual usage is about 400 hours, of which 300 involve actual photography and the remainder are for administrative purposes. Photogrammetry also has a full-time pilot. Greater utilization of the plane and pilot should be made by putting both into a pool of state-owned aircraft. Photogrammetry should be given top priority for their use.

**52. Provide modern stereo compilation plotters for photogrammetry operations.**

The seven plotters in service for the past 10 years lack accuracy and require 14 compilers on two shifts to cope with peak work loads. Seven modern stereo plotters should be purchased to maintain the same peak with one shift of seven operators. By including a digitizer with each plotter, the instruments could be used to calculate earthwork in road construction projects at far greater economies. A 25% reduction of supporting personnel could also be achieved. The annual saving from eliminating 15 positions is estimated at \$160,500. A one-time net cost of \$189,000 would be incurred for the plotters.

**53. Engage outside consultants to evaluate Materials and Tests laboratory operations and facilities.**

Materials and Tests performs quality assurance tests on materials and workmanship of all contracted constructions. As such, it helps protect capital investments of \$170-million annually. Examination of laboratory facilities and operations shows antiquated, manual equipment. Most tests are repetitive and could be mechanized.

Materials and Tests has a budget of nearly \$2-million per year, an administrative staff of 13 and more than 60 laboratory engineers and technicians. Automating the laboratory would reduce the central personnel complement. An outside consultant should thoroughly evaluate current operations, including tasks performed in the field.

## **Highway Design Division**

This division was organized on March 15, 1973. It consists of the Roadway and Bridge Design Departments, both formerly parts of other units.

Roadway Design is responsible for the design and preparation of all roadway plans, proposals, and contracts of the Highway Commission. Plans prepared by outside consultants are reviewed and approved. The department also recommends and formulates roadway design standards and policies. Under the State Design Engineer, it coordinates highway construction projects with the Federal Highway Administration and most other major departments. The design of roadway projects comes under supervision of a project engineer, whose re-

sponsibility extends from the time a project is assigned until the road is completed and under traffic. The project engineers are in charge of preliminary design, interchange design, and roadway plan squads. Other sections provide design support, project scheduling, and control, as well as administer bid proposal and contract-related activities. Roadway Design has 192 personnel, and its fiscal 1973 budget allocation was \$2.1-million.

The Bridge Design Department is responsible for designs, plans, specifications, and cost estimates for all bridges, retaining walls, box and arch culverts, and other drainage structures let to contract. It also reviews and approves structural plans developed by railroad companies, municipalities, federal agencies, and the like. Design and preparation of plans are performed under general supervision of a project engineer, who works closely with the Roadway Design project engineer in coordinating the work involved. Each project engineer typically supervises two design squads. The structure design work for scheduled projects beyond the capacity of available personnel is contracted to consulting engineering firms selected by the department. Bridge Design sets the scope and standards for this work and reviews and accepts final designs, plans, and specifications developed by the consultant. The department's authorized personnel complement is 86, and its fiscal 1973 budget allocation was \$950,000.

The Roadway and Bridge Design Departments perform highly technical, engineering functions which are the nucleus of all preconstruction activities. However, due to the lack of firm priorities for highway projects, both suffer from false starts as well as waste of manpower and other related resources. As many as 15% to 20% of all completed highway designs and plans are never let to contract due to changes in priority, lack of funds, or right-of-way acquisition problems. This costs taxpayers millions of dollars every year. In addition, the organization of Roadway Design has both technical and administrative units reporting to the same supervisor. The Bridge Design Department suffers from a severe shortage of space for design staff.

## **RECOMMENDATIONS**

**54. Transfer the Highway Design Department from the Chief Engineer for Operations to the Chief Engineer for Planning.**

Historically, preconstruction functions report to the Chief Engineer for Operations. Forming the Highway Design Department was a necessary step toward efficiency, and effectiveness. However, it stopped short.

The Hydrographic Section of the Bridge Location and Hydrographic Department is also an integral



part of the highway design function and should be transferred from Technical Services to this division. The entire design function should then be transferred from the Chief Engineer for Operations, who is primarily concerned with construction and maintenance, to the Chief Engineer for Planning, who should be renamed the Chief Engineer for Planning and Design. Since the Locations and Survey, Photogrammetry, and Bridge Location Departments primarily support preconstruction, they should also be transferred from Technical Services to Planning and Design. A new department entitled Design Support should be established to manage these functions.

Reorganization will streamline the preconstruction phase of highway operations thereby improving communication, coordination, and decision-making. Based on estimated salaries exceeding \$10-million for fiscal 1973, a 5% increase in overall efficiency would result in an annual saving of \$500,000 through a personnel reduction of 60 employees. Actual savings may far exceed this figure.

#### **55. Create a Project Scheduling and Control Department.**

As part of the proposed reorganization, a Project Scheduling and Control Department should be established under the Chief Engineer for Planning and Design. This department would:

- ▶ Ensure final designs are consistent with plans.
- ▶ Minimize the duration of projects, which now averages 8 to 10 years from conception to letting of contract.
- ▶ Optimize resource allocation and utilization in planning, design, and support areas.

The new department could be staffed with sections and manpower available in Roadway Design as well as Locations and Surveys. These personnel are presently concerned with project status, scheduling, and coordination, and their transfer would eliminate unnecessary duplication. No savings are claimed.

#### **56. Divide the Roadway Design Department into two groups.**

The present organization has a State Design Engineer one-on-one over the Assistant State Design Engineer, to whom all 13 sections report. Responsibilities should be divided between design and support areas. The seven project sections should be assigned to one Assistant State Design Engineer. Another assistant should be assigned sections which deal with special investigations, checking plans and standards, as well as specifications, special provisions and estimates, scheduling, and proposal and contract assembly. This should streamline the department and provide more effective management control. The new position of Assistant State Design

Engineer could be filled from within the organization at no additional cost.

#### **57. Eliminate the Consultant Coordinator Office.**

The original purpose of the Consultant Coordinator Office was to work with outside consulting designers on connection with a \$300-million bond issue which has long been completed. Therefore, the office should be eliminated. The limited consulting work which does come up from time to time, such as building a tunnel or special road structure, should be managed by the Assistant Design Engineer having design responsibilities. Eliminating this office would provide savings of \$60,000 per year in salaries.

#### **58. Eliminate the position of Assistant State Bridge Design Engineer.**

Because of the recent reorganization, the only functions reporting to the Assistant State Bridge Design Engineer are four project engineers and a special assistant for bridge design, support, and coordination. These personnel should be supervised by the State Bridge Design Engineer and the assistant's position should be eliminated. Estimated savings of \$20,000 per year would result.

#### **59. Provide drafting machines in the Bridge Design Department.**

Most of the drafting instruments used by technicians are the so-called parallel bars. For the kind of drafting done in Bridge Design, this is an inefficient tool, since it requires considerable manual alignment. Drafting machines which would serve the purpose of bridge design should be purchased at a cost of approximately \$225 per unit. These machines would increase productivity at least 5% and allow elimination of two technicians for savings of about \$17,400 per year. The one-time outlay will be \$9,200.

### **Construction and Maintenance Division**

This division reports to the Chief Engineer for Operations. As recently reorganized, it consists of Construction, Maintenance, Landscape, Equipment, and Bridge Maintenance. Construction, Maintenance and Landscape are staff functions responsible for formulating policies and plans, monitoring performance, and giving advice and assistance on proper implementation to the 14 highway divisions. The Equipment organization owns and maintains all highway vehicles and equipment used in road and bridge maintenance and force account construction. Bridge Maintenance services approximately 16,000 bridges and similar structures. It also engages in minor capital improvement projects and force account construction. Personnel in the Raleigh and field offices total 1,030. For fiscal 1973, \$10.5-million was budgeted for salaries and \$106.4-million for maintenance.



Area engineers in the Construction, Maintenance, and Equipment units provide liaison between Raleigh headquarters and the 14 operational divisions. They operate with minimal supervision as general trouble-shooters. However, their dual role as auditors and advisors is not well understood or appreciated by divisional personnel. The engineers are not sufficiently responsive to divisional problems. There is not enough communication with division supervisors concerning problems identified by the area engineers. Also, due to inherently more hazardous work situations as well as inadequate training and emphasis on safety, the Bridge Maintenance accident record is considerably higher than other highway units.

## **RECOMMENDATIONS**

### **60. Issue maintenance manuals to field personnel and initiate a formal training program.**

There are no maintenance manuals or formal training for supervisory personnel. Learning is by apprenticeship and on-the-job experience. Little has been done to set standards for work and equipment utilization to measure performance. This leaves too much to the individual and tends to produce morale problems and inefficiencies.

Therefore, formal procedures including work standards should be established by the three-man team now developing work measurement standards. In addition, formal classes should periodically train and retrain field maintenance personnel in effective work methods and technological advances. Implementation should result in improved maintenance.

### **61. Reduce field inspections at construction sites.**

Quality assurance of contractors' performance and materials is presently performed in several ways. Engineers from the Technical Services Division pre-test materials at the plant site and perform record sampling of completed projects at final certification. Field inspectors from this division investigate the site of the project, and area engineers recommend final acceptance. These inspections are required by federal regulations on federal-aid highways, even though many tests are redundant.

The average number of field inspectors should be reduced by at least five in each highway division by judiciously trimming inspection personnel assigned to state-funded projects, including resurfacing. The reduction of 70 inspectors would provide an annual saving in excess of \$700,000.

## **Divisional Operations**

All divisional operations reporting through Division Engineers are responsible to the Chief Engineer for Operations. For administrative purposes, the state

has been divided into 14 divisions and three regional offices. Divisions are responsible for conduct of most field operations related to construction and maintenance of the highway system. Each division includes construction and maintenance organizations, which report to an assistant division engineer. The construction group ensures the quality and monitors progress of all contract construction projects. The maintenance group is responsible for repair and upkeep of the existing state road system. About 10,000 employees are involved.

The current alignment was instituted in 1953, based primarily on road mileage. Present division mileage ranges from 4,600 to 6,400 and counties per division vary from 5 to 14. North Carolina has the largest state-operated highway system in the United States, with over 75,000 miles of roads and highways.

Most construction funds are allocated to a division based on projects approved by the commission. However, some monies are allocated to commissioners according to unpaved miles in their counties. This allocation was \$21.2-million in fiscal 1973. The current dollar value of all construction projects in progress is approximately \$325-million, including federal aid projects.

Maintenance funds are allocated on the basis of primary, secondary, and urban road mileage. This allocation is adjusted for the three coastal divisions to provide for bridge tenders, and the three mountain divisions receive additional funds for heavy winter damage. The maintenance allocation was approximately \$100-million in fiscal 1973. In addition to routine road repair, these funds are used for resurfacing, landscape, and traffic services.

The division organization structure is designed to provide a line operating capability only. Most staff support is provided from Raleigh in the form of area and division representatives who advise and, in some cases, direct the division organization.

Present working conditions are not conducive to efficient operations. The present organization is cumbersome and not sufficiently problem-oriented. The divisions lack management tools needed to optimize operating performance, and the current information system is inadequate. Neither problem areas nor rates of improvement can be properly defined.

## **RECOMMENDATIONS**

### **62. Establish a consistent statewide standard operating policy.**

At present, operating policies and procedures of the Highway Commission are inconsistent and frequently changed. This makes it almost impossible for field personnel to administer effectively. Many

employees have been embarrassed by being forced to reverse statements on policy. As a result, they are reluctant to take a firm stand on many issues concerning the public.

Statewide standard operating procedures must be stringently adhered to by all personnel. Outside influences should not be allowed to affect procedures or force changes with each new administration. Some policies may need to be rewritten to clearly state requirements. Any deviation from the standard operating procedures should be approved by the Chief Engineer for Operations and the Highway Administrator. Better continuity would result, along with improved public credibility.

**63. Reduce overtime by starting the work week at 12:01 a.m. Monday morning.**

Presently, the work week begins at 12:01 a.m. Saturday morning. Assignment of Saturday or Sunday work may result in overtime pay simply because the week now ends on Friday night. A Monday-to-Monday scheme should be adopted to provide management with more flexibility. Saturday and Sunday work could then be arranged within a man's 40-hour work period without having to pay overtime. If a man misses a day in the regular 5-day week, it would be possible to schedule him for Saturday or Sunday work without a premium, overtime, or compensatory pay. The annual cost of these items in divisional operations is approximately \$700,000. A reduction of about \$70,000 per year could be achieved through implementation.

**64. Reduce the number of vehicles used primarily for personal transportation purposes.**

In each division about 200 automobiles, carry-alls, and small pickups are used for personal transportation, supervisory needs, road maintenance calls, engineering visits, job inspection, and the like. The ratio of these units to the people who use them is 1:2. The total purchase cost of these vehicles is \$8.9-million. Additionally, maintenance and upkeep expenses amount to \$3.6-million annually.

The number of personnel-carrying vehicles should be reduced, and the ratio of units to users should be increased to 1:4. Because of variable conditions in the divisions, an across-the-board elimination would not be adequate. Division management should determine how the reduction will be made, and vehicle pools, temporary assignments, and similar options should be explored. An average of 101 units per division should be phased out, for a total of 1,414 statewide. A one-time cost avoidance of about \$4.7-million would be realized through reduced purchases, and annual savings of \$1.7-million would result from decreased maintenance and upkeep costs. On-going savings would continue through reduced annual acquisitions.

**65. Perform all routine maintenance during the night shift.**

Except for washing and greasing, routine equipment maintenance is performed during the same shift in which the equipment is needed for operations. As a result, spare equipment has been added to cover operating needs. Additionally, operating man-hours are wasted during these periods when equipment cannot be used and spares are not available.

A 12 a.m. to 8 a.m. shift should be established as the primary maintenance time for all equipment. The daylight shift would be staffed with a skeleton crew for emergency work only. Operating man-hours would be better utilized, and an equipment fleet reduction of 5%, or about 1,000 statewide, could be achieved. Operators could also be decreased by 24 per division, or 336 statewide. The quality of maintenance should improve, as preventive schedules could be followed without sacrificing operating man-hours. A shift differential payment would be required to attract qualified mechanics and supervisors to the night shift. The one-time cost avoidance on reduced equipment purchases would be about \$4-million. Annual savings, net of the shift differential, would be nearly \$2-million.

**66. Replace all temporary annual personnel with permanent employees.**

Under the present complement formula, each of the 14 divisions is forced to hire about 200 temporary personnel who remain on the payroll all year. Some people have been temporary employees for up to 9 years, with no fringe benefits and no salary increases. They are laborers and general utility men, and their rate of turnover is 50% to 60% per year.

Division management agrees 20 permanent employees could do the work of 30 temporary personnel in this environment. The 2,800 temporary people should be replaced with 1,867 permanent employees. This would provide net annual savings of nearly \$3.3-million. The turnover rate would be all but eliminated, and more productive use could be made of time now spent in paperwork, hiring replacements, and training new and unproductive people. However, these additional savings have not been claimed.

**67. Consolidate division field forces to distribute year-round maintenance work loads.**

Each division has small specialist groups which are independent of routine maintenance crews, with their own equipment and separate management. During off-season months, these groups perform little useful work. Specialist groups include road oil crews, which resurface state roads; traffic service crews, whose function is painting highway center and edge lines, as well as installing and maintaining



sign and signal systems; and landscaping crews, which manage erosion control, special planting and mowing, and roadway rest areas.

The road oil, traffic services, and landscaping crews should be disbanded. Specialists should be integrated into the district maintenance forces in each division. Road oil, traffic services, and landscaping needs will be reviewed along with routine maintenance requirements so work can be scheduled to utilize all available manpower. Special equipment can be moved from district to district as needed. Personnel could be cross-trained to perform all maintenance functions. The statewide specialist work force of 1,600 could be reduced by 10%, for annual savings of \$1.28-million. Further savings of \$219,900 would result from eliminating travel camps and related expenses. Total annual savings would thus be about \$1.5-million.

#### **68. Establish a centrally administered emergency maintenance fund.**

Presently, funds used to cover incidents such as floods, hurricanes, snow storms, ice storms, slides, and the like come from routine maintenance allocations. As a result, divisions try to keep some money in reserve.

An emergency fund should be established and administered by the Raleigh central office. This would enable divisions to plan maintenance work based on known factors. The level of road maintenance in a county for a given year would not be reduced because funds were diverted during an incident which may have occurred in another county.

The initial emergency balance should be \$1-million, and it should be adjusted annually thereafter based on experience. The balance should be established by reducing division maintenance budgets. Additional legislative approval would then not be required. These funds should be used solely for bona fide major emergencies and dispensed at the discretion of the Highway Administrator. Special codes should be set up to enable the department to properly account for the cost of major incidents.

#### **69. Install a planning and scheduling system in each division to improve productivity and equipment utilization.**

Despite the high costs involved in operations, division management does not have a meaningful measure of manpower and equipment utilization to use for performance review and planning. Work backlog is not known, and routine work is done without management review and authorization. Line supervisors schedule crews with little knowledge of what other forces may be doing. Materials and spare parts outages, work schedule upsets, delays, excessive travel, and idle time are the result. An estimated

60% to 70% of field personnel time is spent on nonproductive items.

A planning and scheduling system based on work measurement should be implemented in Divisional Operations to improve supervision, labor, and equipment efficiency. This system would require a minimum of eight planners per division, selected from the current work force on the basis of ability and experience. This planning group, under technical direction of a division industrial engineer, would provide a plan for every job except bona fide emergencies and a standard estimate of how long the task should take. It would also determine the skills required and man-hours per skill group; equipment needed and total equipment hours; materials and tools necessary; any special precautions, special instructions, or priorities; as well as estimated labor, materials, and equipment costs. The group would be mobile and would be cross-trained in most aspects of operations. It would not have supervisory authority but would strictly limit its role to planning.

Supervisors would approve plans, schedule jobs, and assign manpower, and they would be accountable to division management for productivity. A records clerk would be required at each division office to maintain backlog files, determine job productivity, and provide essential management information reports. The planning group would also make periodic work samples throughout the year to verify productivity improvement efforts. This action would incur additional annual costs of about \$728,000 for personnel and equipment.

A standards development effort is now being made, but after 3 years, less than 5% of highway maintenance jobs have been covered. The present group of three civil engineers should be replaced by a Raleigh-based industrial engineering group, with a manager and four engineers experienced in work measurement. Furthermore, standards should be developed for field operations and construction, as well as equipment maintenance activities. This group should report directly to the Chief Engineer for Operations. The annual cost would be \$146,000.

To achieve potential savings, central management must hold the divisions accountable for manpower and equipment productivity. Field productivity should be increased from 40% to 48%, making a 10% reduction in manpower possible. Additionally, a 10% reduction in the equipment fleet could be achieved. Divisional Operations have been given approval to hire 176 permanent and 88 temporary personnel for fiscal 1974. Effective implementation would eliminate the need for these people, although no savings are claimed for this. However, 980 present employees could be terminated for annual savings of \$7.84-million. Savings on equipment parts



and supplies would be \$300,000 per year, for combined net annual savings of about \$7.3-million. Additionally, a 2,000-unit equipment fleet reduction made possible by improved utilization would provide a one-time cost avoidance of \$7.7-million.

#### **70. Lengthen the work day during the season of high maintenance and construction activity.**

In road maintenance and construction work, considerable time is spent in preparation, travel, and associated activities. An average of only 6 hours per day is spent on the job site. Work is also affected by weather, and there is a greater demand for equipment and manpower during the months of April through November.

Therefore, divisional operations should increase the work day to 10 hours on a staggered 4-day work week during those months. The change would increase time on the job site from 30 to 32 man-hours per week, resulting in annual savings of about \$1.1-million through an additional reduction of 134 employees. A peak season schedule of five 10-hour days per week might be applicable in some divisions, with compensatory time off allowed during the slower months.

#### **71. Establish a strong information services program within each division.**

Division field supervisors currently spend 20% to 75% of their time on information-related activities. The 14 divisions are thus spending about \$2.1-million per year for information services, at the expense of planning and supervision time. Division management expects these activities to increase in the future.

A professional information services program should be established in each division to do the following:

- ▶ Write and distribute news releases.
- ▶ Explain priority setting.
- ▶ Accumulate lists of frequent questions and publish articles about each. Brochures could also be prepared to answer questions by mail.
- ▶ Project a positive image of the Highway Commission to the public.

This program would cost approximately \$30,000 per year for each division, or a total of \$420,000 statewide. However, it would allow key field supervisors more time to plan and supervise their operations, and a higher quality of service would result.

#### **72. Reduce accident costs by establishing a formal safety program.**

In calendar 1972, division highway operations had 417 lost-time injuries, 2,710 total accidents, 1,667 equipment accidents, and 636 minor injuries. Re-

lated costs totaled about \$2.2-million. Presently, the safety program responsibility is scattered among division supervisors, with virtually no expert direction available at the level where the accidents and poor safety performance occur.

A safety engineer should be assigned to each division to concentrate accident prevention efforts. This employee should be a civil, industrial, or mechanical engineer by training. Prior to assuming his field assignment, he should go through an intensive 4- to 6-month training program in Raleigh. His responsibilities would include safety training, promoting the safety program, investigating accidents, maintaining safety records, monitoring supervisor and labor safety performance, instituting special programs or practices, as well as administering a division emergency planning and preparedness program. The costs associated with the past poor safety record could be reduced by 50%, or \$1.11-million, with a concerted field effort of this type. Savings, net of the \$420,000 cost for 14 safety engineers and program support, would amount to \$690,000 per year but are not claimed.

#### **73. Conduct a statewide study of asphalt costs.**

At present, some divisions operate small state-owned asphalt plants in each district, while other divisions purchase all of their asphalt from local contractors. This is inconsistent, and there is no real competition to keep prices in check.

An in-depth statewide study should be made to compare the total costs of state-produced and purchased asphalt of equal mixes. The study should determine if there is a break point at which the state can produce asphalt cheaper, and, if so, what size plant would be needed, and whether setup and operating costs would be justified. A consistent policy should be established for all divisions.

#### **74. Allocate construction and maintenance funds based on a statewide priority point system.**

The Highway Commission's expenditures for the past several years, including federal aid, show nearly \$3 spent on construction for every \$1 allotted to maintenance. As a result, insufficient preventive maintenance is given the present highway system. At some point in time, this will necessitate rebuilding some roads at about twice the cost of proper upkeep. The current county mileage formula is also not adequate—some roads are overmaintained, while many others are undermaintained. Some roads designed for a daily volume of 300 cars per day now are used by 10,000 cars a day. The inability to upgrade these roads has resulted in unsafe driving conditions. Additionally, several hundred miles of roads 16-feet wide still exist which are deemed inadequate for current traffic.

A point system should be developed for allocating state funds to maintenance and construction projects. Points should be assigned each project for:

- ▶ Traffic characteristics, such as flow, count, type, and so on.
- ▶ Road conditions, such as width, base, drainage, and the like.
- ▶ Public need.
- ▶ Cost consequences of delaying maintenance or construction.

Each division would annually survey its road system and submit to Raleigh a priority list and justification for each project. Requests from Raleigh-based organizations would also be evaluated. A statewide priority list determined by Raleigh management would provide the basis for requesting funds from the General Assembly. Appropriations could also be more evenly distributed between construction and maintenance needs.

#### **75. Improve the quality of preliminary estimates for new projects by allowing more time for preparation.**

The current time frames and work procedures for new construction projects do not allow adequate preliminary estimates. As a result, final project costs are increased 10% to 15% by additional work not anticipated. The administrative cost per supplemental agreement amounts to \$200. In addition, contractors often derive excessive profits on these agreements.

The time frame on projects from planning to contract letting should be reduced. However, planning and scheduling should be improved, and enough time allowed for sound preliminary estimates. Considerable savings can be realized by reducing the number of supplemental agreements as well as providing more accurate data to estimators and resident engineers.

#### **76. Improve the quality of state project estimating to provide a better basis for evaluating contractor bids.**

Presently, state project estimating relies almost solely on a competitive bid system, in which the lowest qualified bidder gets the job. If the lowest bid is more than 10% above the state estimate, however, the project is not contracted and bids are not solicited again until a later date. State estimates are based upon past contractor bids and price trends for key items. Items are estimated on an in-place basis and are not detailed as to labor, materials, and equipment required for each work item.

The problem with this method of estimating is that it primarily relies on contractors as a source of in-

formation to establish the state estimate from which bids are evaluated. Field personnel are not able to verify the accuracy of the state estimate or the contractor bid, since the unit price includes profit, overhead, as well as indirect and equipment charges in each item. Because of pressure to get the job done, estimates are sometimes raised arbitrarily to ensure a contract will be let.

A detailed estimating route should be established for random major projects to verify the accuracy of the state estimating effort. Labor, material, and equipment costs for each major work item should be determined. Adjustments could be made for contractor labor costs, overhead, indirect charges, and before-tax profit. The consequences of this proposal could include a delay in letting contracts and considerable contractor discontent for a period of time. However, if the state is currently overestimating, considerable savings would also be derived.

#### **77. Reduce field construction costs by establishing critical path scheduling methods.**

Presently, 70% to 90% of contract projects are not finished on time. Some overruns are due to changing federal regulations, but most are controllable by the state or the contractor. The contractor now works on his own schedule. He may choose to load a project for a short period with manpower and equipment and then switch these resources to another job. Erratic schedules promote state construction personnel inefficiencies, as they must staff to provide quality assurance on a day-to-day basis.

Critical paths scheduling should be implemented to ensure operations are performed in proper sequence to meet the planned completion date. This technique would emphasize better scheduling at the time of contract letting and provide a basis for establishing intermediate completion dates. Stiff penalties should be enforced to ensure contractor compliance. The method would also improve control of supplemental agreement negotiations, planning of construction manpower needs for future projects, as well as evaluation of contractor progress payments and the overall status of the project. If critical paths scheduling was used as the primary control method, completion date performance would improve considerably. Better utilization of state field construction forces would provide a 5% reduction in personnel costs. However, no savings are being claimed.

#### **78. Reduce the number of assistant resident engineers assigned to each division.**

Presently, each division employs an average of four resident engineers and four assistant resident engineers. Their primary function is to inspect work done by contractors. The resident engineer is the



liaison between the contractor, the division, and the central office. Most of his time is spent troubleshooting. The assistant resident engineers prepare the monthly estimate payment to contractors and assist in project inspections. Much of their time is spent keeping records of daily performance.

The number of assistant resident engineers should be reduced to two per division. With reasonable planning and scheduling, the two assistants could oversee all construction projects and prepare all monthly estimate payments. The following changes in recordkeeping would improve their efficiency:

- ▶ Eliminate checking contractor payroll sheets. There is no assurance names and wages are accurate, and, in any case, this should not be a function of the resident engineer's office.
- ▶ Stop transposing daily diaries to a ledger. Instead, diary sheets should be bound at the end of each month for reference.
- ▶ Assign secretaries and inspectors to aid the assistant resident engineer with monthly payments, particularly the data gathering for payment at project completion.

Implementation would eliminate 28 assistant resident engineers. Annual savings of \$420,000 would result.

#### **79. Improve specifications for purchasing equipment and spare parts.**

Currently, low bids on equipment purchases are accepted without considering the cost for spare parts, replacement value, or delays if parts are not available. Also, the expenses of keeping an inventory of parts for old equipment and training people to maintain new equipment are ignored.

Equipment purchase specifications should include equipment purchase cost, spare parts prices, equipment replacement value, and training costs expenses. A study should also be made to determine the cost of keeping an inventory of many different brands of spare parts, as well as which brands are hard to get. The results of this study will provide a basis for long-term purchasing. The state currently acquires an average of \$12-million in new equipment and \$5-million in spare parts each year. The suggested changes should result in substantial annual savings, although none are claimed here.

#### **80. Review the employment classification of equipment superintendents.**

Presently, equipment superintendents are classified in a grade with a salary range from \$11,340 to \$14,376 per year. They are responsible for managing about 100 employees, maintaining equipment valued at as much as \$7-million, and performing an

integral service function to a 700-employee operating unit. A comparable industry position would command an annual salary in the range of \$16,000 to \$20,000. The classification of this position should be reviewed for possible upgrading.

#### **81. Establish a management training program for all levels of division management.**

Each division has about 800 people in its complement, of which about 100 represent all levels of maintenance and construction supervision. There are three to 10 college graduates in each division. Their orientation is primarily civil engineering. Each division is also responsible for \$20-million to \$60-million worth of work annually and encompasses a road system of 4,600 to 6,400 miles. To effectively direct these operations, supervisors must know and use proven management techniques. However, at present, supervisory training is nonexistent, since the personnel department lacks a qualified staff.

A team of five instructors should be established in the personnel department to provide extensive training in estimating and cost control, planning, scheduling, principles of supervision, human relations, work simplification, inventory management, management by objectives, principles of maintenance, value analysis, and information systems. The training team could include some present operating personnel. The program should reach all division supervisors. Salary expenses, plus travel and other costs, would amount to \$100,000 per year.

#### **82. Transfer responsibility for division equipment operations to division management.**

Presently, each division's equipment maintenance is performed by a department which reports to Raleigh. However, maintenance costs and fleet justification are a responsibility of the divisions' operating management.

The field equipment departments should report to the division engineers through the equipment superintendent. Improved field coordination will result, along with better planning, scheduling, operator training, and utilization of equipment. The central depot should continue to report to the Equipment Section in Raleigh.

#### **83. Establish a position of controller in each division to provide adequate financial and clerical supervision.**

Each division organization now has an office manager, who supervises secretaries in the division engineer's office. Additionally, he performs accounting, purchasing, and payroll duties for division management. Because of the limited abilities of the people in these positions, division operating management must assume responsibility for these tasks at the expense of planning and supervision time.



A controller should be added to the division organization. This position should be filled with a college accounting or business administration graduate. It would report directly to the division engineer and be responsible for division purchasing, as well as coordination with central purchasing in Raleigh; accounting and payroll operations; supervision of clerical personnel; budget preparation; improvement and maintenance of the division management information system; management of spare parts and supplies inventory; and cost analyses. A salary of \$15,000 per year would be required to attract professionals to fill these positions. The total annual cost to Divisional Operations would be \$210,000.

**84. Increase the advertisement time on jobs to be let for contractor bid.**

Presently, the time period between state advertisement of jobs and the actual reception of bids from contractors is 2 to 3 weeks. If a contractor is not in Raleigh at the time of the advertisement, a week could be lost in mailing plans to this contractor to provide the basis for his estimate. Consequently, the quality of the contractor's estimate suffers considerably because of lack of time. The time between advertisement and bid receipt should be increased to a minimum of 30 days.

### **Equipment Division**

This division is responsible for the purchase, repair, maintenance, issuance, and storage of Highway Commission equipment. It also provides repair and service for the Offices of Correction, Paroles, and Probation.

Highway units rent equipment from the division. Fees include all costs for depreciation, repair, service, and fuel. Rental charges are deposited to a fund, from which the division purchases replacement and additional equipment. The total annual budget approximates \$35-million per annum.

Other duties include maintaining a statewide radio communication system for the commission, writing specifications, and operating a system of 111 shops located near user facilities. A central equipment depot receives and assembles new equipment. It also stockpiles parts and supplies for distribution statewide. A marine engineering office provides design and repair facilities for the state's ferry fleet. The division is responsible for 20,000 units of equipment used throughout the state. The staff is comprised of approximately 1,000 skilled tradesmen, and about 500 unskilled employees.

The Equipment Division is a very close-knit organization. There does, however, seem to be a tendency against rocking the boat. This is manifested in the network of 111 shops which has developed over the

years. Each performs the same functions of major repair through service-station-type maintenance. As a consequence, the division is overstaffed at this level, and the number of shops is disproportionate to the work load. In addition, while the Equipment Division procures, maintains, and assigns all Highway Commission equipment, control over capital expenditures for additions or replacements is vested in the user groups. This eliminates a check-and-balance control on approximately \$77-million in capital assets.

### **RECOMMENDATIONS**

**85. Eliminate all automobile and pickup truck washing at shop facilities.**

The shops are currently washing an average of 3,000 units per week. Studies indicate it takes approximately 2 man-hours to wash a vehicle. This work is being performed with temporary help at an average rate of \$2.50 per hour. On this basis, costs are about \$5 per wash, or \$780,000 per year.

All vehicle washing should be performed by the driver to whom the vehicle is assigned. Recipients should have pool vehicles washed on an as-needed basis when drawn from the pool. Expenditures could be reduced to \$234,000 per year on the cleaning cycle if washing would be performed by outside facilities at an average rate of \$1.50 per unit. Savings of \$546,000 annually would result, by conservative estimate. This represents elimination of 150 temporary employees hired exclusively for washing and greasing.

**86. Reduce shop and supply personnel by 13% on a division basis.**

An analysis of the 14 equipment divisions indicates inequitable ratios of equipment to manpower. The equipment is equally dispersed in respect to type; therefore, there are no exceptions in type of equipment that might require extraordinary maintenance effort.

Examination has shown ratios of equipment to manpower ranging from 11 to 18 pieces of equipment per maintenance man. A ratio should be established somewhere between the low and the high, and the suggested level is 16 to 1. On this basis, a reduction of 192 employees in personnel should be achieved throughout the division, resulting in total annual savings of \$1.44-million.

**87. Reduce accident damage through driver and machine operator training programs.**

Accidents cost the state \$500,000 annually. By properly training operators, these losses could be reduced 50%. A training program should be established which would require each machine operator or driver to have his driving record investigated

through the Office of Motor Vehicles. Physical examination would be mandatory. Three safety engineers would be employed, with each assigned an automobile. The three equipment inspectors who currently travel the state examining equipment should be retrained for this purpose. They would continue cursory examination of equipment as a secondary function. Equipment inspection and maintenance must be the responsibility of supervisors.

**88. Reduce the equipment inventory by 15%.**

On the average, 15% of the total 20,000 pieces of equipment is stored as surplus. The equipment in temporary storage should be eliminated through attrition. A one-time cost avoidance of 15% of the \$77.8-million fleet value, or \$11.55-million, would accrue over a period of approximately 5 years from reduced purchases.

Any highly-specialized equipment not required in the normal course of construction or maintenance would be assigned and stored under the Equipment Division. It would then be issued on an as-needed basis and the user charged a fully allocated cost, prorated when used.

**89. Consider establishing another parts depot.**

Currently, all divisions make one trip per week into Raleigh for parts and supplies. The division should consider establishing another parts depot. Facilities are currently available in Statesville, and could be staffed from current manpower. Using a depot at Statesville would reduce travel by 52,000 miles per year, exclusive of any manpower savings which might be realized. However, no saving is included in this report.

**90. Eliminate the upholstery, plumbing, carpentry, and glazing shops at the Raleigh equipment depot.**

The equipment depot includes several shops for which productivity does not justify operating expense. Most upholstery work on vehicle seats is entirely unnecessary. Work which must be done should be performed in present shops. All sheet metal work for heating should be contracted and the same is true of glazing. Examination has shown most of the 12 carpenters' time is spent in making furniture on order and cutting survey stakes. Three carpenters should be retained for survey stakes and occasional jobs. Furniture should be purchased. A reduction of 19 tradesmen and helpers could thus be obtained. This reduction of personnel would provide net annual savings of \$100,000.

**91. Transfer Raleigh personnel to the equipment depot rather than to leased quarters.**

The 32 headquarters personnel of the division are scheduled to be transferred to leased space. This would move them away from other state offices. The

rental cost is \$20,400 per annum. Instead, suitable office facilities should be constructed at the equipment depot for about \$60,000. Rent expense could be avoided and intangible benefits would be derived from consolidating functions.

**92. Implement an accounting system for the equipment fund which will charge each of the 14 divisions for all of the equipment physically located in the division.**

At present, equipment is accounted for on a state-wide revolving-fund basis. Each division is charged the same rental per hour for identical equipment. Rates are calculated on an average for all divisions.

Accounting should be performed on a fully allocated cost basis. Divisions would be charged actual costs, such as depreciation, maintenance, and operating expense. Division engineers would then be more selective as to type and amount of equipment requested. Any request for new or additional equipment should be charged directly, whereas presently the charge is initiated only when equipment is used. Direct cost accounting should also make the division engineer feel he is being measured on a performance basis. The more efficient he is, then the more funds he will have available for maintaining highways.

**93. Consolidate equipment shops wherever they are located near division facilities.**

Currently, there are nine district or subshops located on the same property as the division shops, but occupying different buildings. Consolidation with the division units would reduce spare parts inventory, improve utilization of manpower and equipment, and allow elimination of six foremen and a parts room clerk. Annual savings of \$62,700 would result.

**94. Implement the 33 recommendations outlined in the recent equipment management study.**

A professional management consulting firm was commissioned in 1972 to study the Equipment Division with the objectives of establishing essential requirements of a future information system, designing and installing an interim system, and identifying the value of manpower and downtime as well as recommending a course of action. The study was completed April 30, 1973, and 33 definite recommendations were proposed.

Implementation would have a dynamic impact upon employment of capital, resources, and manpower. A one-time saving was estimated at \$1.2-million, due to reduction in equipment, and increased manpower utilization would result in annual savings of \$700,000 from personnel cuts. Other intangible benefits could also be expected, such as better preventive maintenance, safety and deployment of equipment, identifi-



cation of areas for training and retraining, and provision of data for management use in isolating problem areas. These savings are not claimed.

**95. Study the feasibility of having the division's shops provide service to additional state agencies.**

Currently, the Equipment Division operates a network of 111 shops throughout the state. With the exception of the Office of Correction, no other agencies are offered any service work, fuel, or lubrication. This forces them to obtain service at commercial facilities in most cases. The feasibility of having this division's shops provide service to other state agencies should be examined. Savings should result, but the amount cannot be determined without further study.

**96. Reduce the number of permanently assigned automobiles and pickup trucks and base assignments on daily need for state business, plus minimum mileage traveled of 13,000 miles per year.**

Currently, the Department of Transportation does not have a uniform program of assignment or use of state-owned vehicles. As a result, an estimated 10-million annual miles are being traveled for commuting purposes, representing a cost to the state of about \$553,000 per year.

The number of permanently assigned vehicles should be reduced. Assignments should be based on established daily need for state business, along with minimum yearly travel of 13,000 miles. All other needs for state-owned vehicles should be supplied from motor pools on an as-needed basis. Use of state-owned vehicles for commuting between work and home should be prohibited. No savings are claimed.

**97. Concentrate all major maintenance work in the 14 division shops, and phase out all 35 district shops or relegate them to the role of subshops.**

Currently, major maintenance work is performed at all division and district shops. This includes overhaul, rebuilding engines, transmission repair, and so on. With the growth of interstate and primary highways, the economics of transporting equipment should improve. Therefore, repair work of longer duration should be concentrated in the larger division shops. Further, the geographic location of all shops and their size should be studied to establish long-range plans for a shop network adequate to meet projected needs. During the study and planning period, any additions, expansions, or new construction of shops should be suspended. This study should also encompass the maintenance needs of all state departments, with the aim of consolidating shop facilities of all agencies and eliminating duplication of servicing efforts.

**98. Examine the need for two-way radios.**

Of the 981 automobiles within the department, 879 have two-way radios. Some of this radio equipment is not necessary. However, due to the complexity of the situation, it is difficult to conclusively determine radio needs. Therefore, further study should be performed. Potential savings are significant, since the radios cost \$650 each, plus maintenance.

**99. Regionalize departmental vehicles on a manufacturer's make basis.**

Currently, departmental vehicles are placed throughout the state without regard to make. This forces each shop to stock parts for all types. Units should be dispersed on the basis of make to a specific division, area, or region to reduce spare parts inventory and improve repair efficiency. Savings should result, but they cannot be determined.

**100. Eliminate repainting of Highway Commission trucks.**

Trucks are painted at the discretion of Equipment Division personnel. Since they are replaced on a 5-year schedule, painting should be unnecessary except in extreme cases. Further, these decisions should be made by division equipment superintendents, rather than foremen.

## **Ferry Operations**

The Department of Transportation is responsible for the operation of six ferry routes along the outer banks and coastline of the state. These operations require the use of 14 ferries and two dredges, along with necessary auxiliaries and docking facilities. In fiscal 1972, a total of 283,153 vehicles and 669,233 passengers were transported. Tolls charged on the Pamlico Sound and Cape Fear routes produced income of \$723,000 in fiscal 1972. The annual operating budget is \$3-million and maintenance cost is over \$1-million. Operations personnel include 207 permanent and 68 seasonal employees.

Vessel maintenance is at present the responsibility of the Equipment Division, with main repair facilities and shops at Mann's Harbor. The maintenance complement consists of 28 permanent and 20 temporary employees. An engineer in the Equipment Division schedules and contracts maintenance for vessels too large for the Mann's Harbor facility.

At present, six of the 14 ferries have been upgraded to meet Coast Guard standards and plans are underway to improve the remaining vessels. The ferries are operated in an efficient and safe manner by dedicated and experienced crews. The equipment is well maintained, although the remote location of the Mann's Harbor repair yard requires excessive travel by the equipment superintendent. The present separate lines of management for maintenance and



operations have created communication problems and lengthened the decision-making process.

## RECOMMENDATIONS

### **101. Change the present title to Ferry Division, and place ferry operations, maintenance, and engineering under this division.**

At present, the maintenance functions for ferries and related marine equipment, as well as the marine engineer, are in the Equipment Division, whereas Ferry Operations reports to a regional manager. The marine engineer is located in Raleigh, the equipment repair facility at Mann's Harbor, and Ferry Operations headquarters in Morehead City. This organizational structure is not conducive to good communications, coordination or decision-making.

Ferry operations, maintenance, and engineering functions should be consolidated in a single Ferry Division, and supervisory personnel should be located at one central facility. Until this can be done, the marine engineer now located in Raleigh should relocate to Mann's Harbor, where he can more effectively carry out his duties. The individual heading the new Ferry Division must have extensive knowledge of ferry operations and be familiar with maintenance and engineering as well.

### **102. Initiate a long-range planning study of equipment and facilities requirements.**

At present, there are no detail plans for replacement or addition of vessels. In view of the 3-year lead time needed to design and build a new vessel, a long-range study of future requirements should be initiated at once.

The present repair facilities situated at Mann's Harbor cannot accommodate the three larger vessels now operating between Cedar Island and Ocracoke. These ferries are therefore contracted out to private yards for annual maintenance and modifications. Due to limited outside facilities, it is becoming increasingly difficult to schedule such jobs. In addition, the cost of outside work is substantially greater than in-house maintenance. Originally, the Mann's Harbor repair facility was situated near the center of operations. However, since that time, ferry routes have shifted south and the present location is not desirable.

Therefore, as part of the proposed study, immediate and serious consideration should be directed to acquisition of a shipyard at New Bern. This facility would be located near the center of ferry operations and could service all present and future vessels. If this facility is acquired, the Mann's Harbor yard should be phased out. Acquisition would also permit consolidation of operations, maintenance, and engineering offices at one location.

## Office of Motor Vehicles

Headed by a commissioner, the Office of Motor Vehicles is charged with ensuring the protection and personal safety of the public with respect to its investment in and use of motor vehicles and highway facilities. Operating with a fiscal 1973 budget of slightly over \$42-million, its activities are divided among the Highway Patrol, Driver's License, Driver Education and Accident Records, and Registration Divisions.

The Highway Patrol regularly enforces all laws and regulations respecting travel and use of the highways. It is headed by a colonel, who is assisted by a lieutenant colonel and reports to the Commissioner of Motor Vehicles. Three majors have responsibility for Line Operations, Communications and Logistics, and Training and Internal Affairs. The state is divided into seven troops, plus the Raleigh headquarters. The budget for fiscal 1973 was \$19.2-million. Staff included 1,341 employees, of whom 1,060 were troopers and 281 were civilians. One civilian and 35 troopers were federally funded.

The Driver's License Division, headed by a director, promotes safe driving by testing license applicants for vision, driving skills, and knowledge of laws and rules. It also examines drivers with physical or mental conditions which might affect their driving ability, conducts hearings on revoked or suspended licenses, and performs research. Each of five major sections is headed by a supervisor who reports to the assistant director. The sections are Examining, Medical Evaluation, Driver Improvement, Office Manager, and Driver Improvement Research. Currently, there are 377 employees in the division. Fiscal 1972 expenditures were about \$4.05-million, entirely funded by proceeds from issuing driver's licenses, providing records, and restoring licenses.

The Driver Education and Accident Records Division operated for some time as two separate units with a common budget. The education unit, recently renamed Traffic Safety Education, is responsible for certain training, instruction, certification, inspection, and safety activities. The records unit, now called Traffic Records, is the state's central agency for collection, summarization, and analysis of law enforcement officers' traffic accident reports. Separate budgets were established on July 1, 1973. Traffic Safety Education is headed by a director, who reports to the Commissioner of Motor Vehicles, and employs 75 persons throughout the state. Traffic Records is composed of an accident records section and a financial responsibility section, with a total of 68 employees. It is also headed by a director who reports to the commissioner. The fiscal 1973 combined budget was \$1.85-million.

The Registration Division is charged with annual distribution and issuance of license plates, issuance of certificates of title and registration, recording liens against vehicles, enforcement of the financial security law, and annual collection of registration fees. These fees amounted to \$87-million in fiscal 1972, and the division's total budget was \$6.25-million for fiscal 1973. The staff includes 448 permanent and 250 temporary employees. Temporary personnel are hired for 3 months during the renewal period. The Director of Registration is responsible to the Commissioner of Motor Vehicles. The division is comprised of 12 work units in Raleigh. These include Branch Auditing, Branch Inspection, Mail Inspection, Correspondence, Sorting and Proofing, Filing, For Hire, Cashier, License Plate Distribution, Financial Security, and File Checking. Four field representatives supervise 98 branch offices located throughout the state.

The sections are generally well-organized and staffed. The Highway Patrol's Internal Affairs Section, which is new and not fully implemented, should further improve operations. Patrolmen are required to spend many of their working hours away from the road, due to special events, emergencies, and court cases. The statewide radio communications network is not completely adequate, and janitorial help seems to be a problem for most locations. The patrol school's curriculum of 96 courses appears sound and well-planned although follow-up training for patrolmen is insufficient.

The Driver's License Division's organizational structure includes multi-levels of leadership which produce some one-on-one relationships and duplication of effort. Current license fees are not sufficient to cover expenses. In addition, not enough emphasis is placed on training the professional license examiner. Turnover in this position is over 15%, and morale is low. Examiner uniforms cost almost \$40,000 per year and are of doubtful professional value.

Traffic Safety Education expects continued increases in several of its programs, notably training and certification of school bus drivers as well as adult driver education. There seems to be some confusion in managing the Traffic Records financial responsibility section. With the recent consolidation of both units in one location, more efficient operation should result. The statistics section produces numerous reports which are detailed and useful, but they are not published on a timely basis.

The Registration Division's already large volume of clerical work is increasing significantly each year. The system for performing these jobs is basically manual, even though the vehicle registration file, vehicle identification number file, and driver's li-

cense file have all been computerized. The division is not fully utilizing computer processing capabilities. The present organization causes excessive checking, proofing, and file referencing. In addition, certification of liability insurance is required each time a person buys a license tag, registers a vehicle, or changes insurance coverage. This program is expensive to administer and causes the public considerable inconvenience.

## **RECOMMENDATIONS**

### **103. Use retired Highway Patrol automobiles in low-mileage operations conducted by other state agencies.**

Currently, the Highway Patrol replaces an average of 700 vehicles per year. These units are frequently purchased by cities and counties for police work. Others are sold to individuals. Since these vehicles are exceptionally well maintained, they could be put to less severe use by other state agencies, especially low-mileage, low-pursuit police agencies such as the capitol police, Alcoholic Beverage Control officers, university police, and the like. Savings cannot be determined.

### **104. Change the color of Highway Patrol cars to white.**

Currently, Highway Patrol cars are silver and black. They must be repainted to make them ready for sale. Also, the current color scheme is difficult to see both day and night, as indicated by the high number of non-moving accidents involving the patrol's vehicles. Changing the present color to white would make cars more discernible and eliminate painting cost of \$100 per unit. Annual savings would amount to \$70,000.

### **105. Revise the fee structure for driver's license examinations.**

The current administrative cost for issuing a driver's license and recording the data is \$5.21 per license. Present fees are \$3.25 for an operator's license and \$4.25 for a chauffeur's license. Additional income results from issuing copies of licenses. There is no charge for learner's permits, even though all but the road test is given. There were 953,000 approved driver's license fees collected in calendar 1972, of which 65,670 were chauffeur licenses, and 198,000 learner's permits were issued.

The fees should be changed to \$4 for an operator's or chauffeur's license, and \$1 should be charged for learner's permits. Additional revenue of about \$847,100 could be realized, and this income could be applied to offset increased administrative costs. Also, accounting and money changing would be simplified by keeping all fees on an even dollar basis.



**106. Evaluate the salaries of the driver's license examiners.**

The driver's license examiners perform an important public contact function for the state and should be staffed by professionals. The present salary guidelines start an examiner at only \$546 a month. This makes it very difficult to employ capable and career-oriented people. The salary ranges for all examiner levels should be evaluated and upgraded to provide increased incentive.

**107. Devise a more economical way to report daily license fee collections.**

Each driver's license examiner must collect cash for license fees. All transactions are reported daily. Every day examiners purchase a certified check or money order to send fees to Raleigh. The cost per check ranges from \$0.15 to \$0.35. A less expensive and time-consuming method should be devised. Consideration should be given to opening checking accounts and submitting duplicate deposit slips rather than checks.

**108. Consider the issuance of classified driver's licenses.**

Current procedures allow a person who drives a tractor trailer, dump truck, or other special equipment to be tested for licensing in a passenger car. Nothing on the license shows a capability for operating special equipment. Procedures should be changed to test on special equipment and show the proper classification on the license. This would involve some additional expense, but increased safety assurance would justify the cost.

**109. Increase the fee for the traffic collision report to help offset costs.**

The Office of Motor Vehicles currently charges \$0.50 for a copy of the traffic collision report and \$1 for a certified copy. A check of other states reveals rates ranging from \$1 to \$5.50. The reports are furnished to insurance companies, claims agents, lawyers, and the general public. Actual revenue received from their sale in fiscal 1972 was about \$38,400. Prices should be increased to \$1 and \$1.50 for regular and certified copies, respectively, which will partly offset costs of production. Additional annual income of about \$38,000 could thus be generated.

**110. Reduce auditing of registration branch work to a 25% random sample and discontinue detail inspection.**

Branch Auditing now checks and audits all work sent in from the 98 contract branches, the Raleigh office, and the Charlotte office. Common business practice requires only random audits when errors are insignificant in number and quantity. Checking and dating procedures duplicate the work of the inspection unit. The proposed elimination of the separate

driver education fee, plus reduction of auditing to a 25% random sample, would allow the staff to be cut from 19 to 5 employees, including equivalent temporary help. At an average salary of \$6,300, annual savings of \$88,200 would result.

**111. Microfilm all detail registration branch reports and transfer files from Branch Auditing to the Filing Unit.**

Branch Auditing maintains a detail file for all work processed at the branches, while the Filing Unit has similar records for the Raleigh office and mail orders on microfilm. These files should be combined and converted to microfilm to reduce confusion and clerical effort. Branch Auditing staff could be reduced by two, but an additional employee would be needed in the Filing Unit. Net annual savings would be \$6,300, as equipment is already available.

**112. Discontinue the separate driver education fee, and increase registration charges.**

Collection of the separate \$1 driver education fee involves considerable clerical effort. The driver education fund should be allocated on the basis of total number of plates sold, thus eliminating detail work for registration personnel and reducing public confusion. The registration fee should be increased by \$1.

**113. Eliminate detail inspection of work processed by Charlotte and Raleigh registration offices.**

The personnel who prepare and inspect the work in these two offices are qualified title examiners. Hence, there is no need to check their work again in Branch Inspection. Eliminating this procedure would reduce the work load in Branch Inspection by 10%. Including temporary personnel, this should allow a staff reduction of six employees, for annual savings of \$39,300.

**114. Produce vehicle activity cards automatically.**

Two typists in the Data Clerical Unit now type cards sent to the Financial Security Unit to notify them of any activity related to a vehicle with cancelled insurance. This information is typed from a computer-produced report. All information should be printed on cards by the computer. This would eliminate the need for two typists and provide annual savings of \$12,600.

**115. Reorganize the Registration Division to streamline workflow and change computer input methods.**

At present, Mail Inspection processes work received in the mail, and Branch Inspection deals with the rest. Each of these units has its own typists, file clerks, sorters, and stampers. Registration work is handled in detail by six to eight different units, depending on how it enters the division.



The following changes should be made to reduce processing and better utilize computer capability:

- ▶ Combine Branch Auditing, Branch Inspection, and Mail Inspection into one Inspection Unit.
- ▶ Install video terminals and inspect, input, and proof work in one operation. This would consolidate six steps into one, decrease the amount of data input to the computer, and reduce duplication of inspection efforts. Computer rejects due to errors would be eliminated, along with most of the reject work now done by the Data Clerical Unit. Data Clerical could then be merged with the Inspection Unit. This method would also eliminate the detail checking performed in Proofing and Sorting, as well as reduce the amount of file checking.
- ▶ Discontinue proof work and merge sorting functions into the Filing Unit.

Implementation would provide speedier service to the public and reduce the number of employees by 119, including equivalent seasonal employees on an annual basis. Annual savings, less the cost of 30 computer terminals, would be about \$723,000. A one-time expense of \$30,000 would be incurred for programming.

#### **116. Microfilm vehicle title information.**

Currently, all title information prior to 1968 is on microfilm, while more recent data is in hard copy form. Therefore, the following steps should be taken:

- ▶ Begin microfilming all current work and discontinue hard copy filing efforts.
- ▶ Install one additional camera unit to convert present hard copy to microfilm.
- ▶ Assign a new title number to all titles prepared.
- ▶ Issue only one consecutive series of title numbers each day.
- ▶ Install four additional viewers for checking the current hard copy files.

These actions would reduce the file checking effort and document handling. The title file section, which employs 15 personnel, could be eliminated for annual savings of \$98,200. The 10 employees transferred from Proofing and Sorting could sort documents coming from data processing prior to microfilming. A one-time expenditure of \$61,200 would be required for the camera and viewers.

#### **117. Discontinue the recording of detail work load statistics.**

Each unit in the Registration Division keeps detail records of documents handled, letters written, letters

typed, telephone calls received, and the like. This information is not used to measure or improve the effort of individuals or units. Therefore, detailed recordkeeping should be discontinued. Occasional studies could determine manpower performance and requirements, and the telephone company could supply statistics on number of calls. Savings are included elsewhere.

#### **118. Install video input computer terminals in the Financial Security Unit.**

The insurance industry is required by law to inform the Registration Division of all cancellations of automobile liability insurance. Financial Security received and processed 862,500 such notices in fiscal 1972. Each is manually checked against the registration card file for verification and then typed for optical reader input to the computer. Notification of cancellation is prepared by computer and sent to the vehicle owner.

File checking and data input should be combined into one operation by installing video terminals. Notices could then be checked against the computer files, which are more up-to-date. Implementation would replace five typists and two proofers with seven terminal operators. The total number of cancellation file checks would decrease from approximately 1.2-million to 350,000. This work reduction would permit elimination of 14 employees in the General File Checking section. Annual savings, less the cost of seven terminals, would be \$78,500. There would be a one-time installation expense of about \$7,500.

#### **119. Eliminate the permanent insurance master file, and change the method of checking and filing insurance cancellations.**

Most vehicle owners who do not furnish adequate proof of insurance coverage are detected by methods other than the master file. Most license plate revocations resulted from checking done upon notification by the insurance company that a driver's liability insurance had been cancelled.

The Financial Security unit should set up a temporary aging file for insurance cancellations. A permanent file should be kept only on individuals found to be in violation. Insurance company cancellation notices need not be kept except in cases of violations. Insurance recertifications should be noted on a card form and retained in the alphabetic registration file, along with plate receipts.

Implementation would reduce personnel needed to maintain the master file by 48 employees. A staff of eight would be required to process insurance cancellations and maintain a file of violators. The net reduction of 40 personnel would yield annual savings of \$262,000.

## State Ports Authority

This authority promotes, develops, constructs, equips, maintains and operates harbors and seaports to stimulate foreign and domestic water-borne commerce. The authority has the powers of a corporate body, including the right to sue; make contracts; acquire, dispose of, and rent property; accept loans and grants; and borrow money.

In fiscal 1972, the authority received only \$259,000 from the state for operations, although appropriations are made for capital improvements. Practically all of its approximately \$6-million budget is received from charges for handling, dockage, cargo tonnage, renting dock cranes, and storage of cargo. The dock cranes are rented to stevedore companies which employ union longshoremen. State employees pick up freight about 300 feet from the vessel for storing, further handling or loading. The state personnel are non-union and include 442 employees, of which 124 are salaried. The cargo handled by the Ports Authority in fiscal 1972 amounted to 1.95-million tons.

The authority is an efficient organization with no indication of excess personnel, although some lower echelon employees might have been selected and trained better. The safety program is excellent and recently received a national award. The port at Morehead City has some difficulties with the longshoremen's leadership. Tug boat and pilot services are supplied by the same company, and mooring fees are unreasonably high. There is also a lack of planning based on hard economic facts. The phosphate rock facility has been overbuilt, and further capital expenditures are intended with the aim of increasing the port's business. Rail transportation is inadequate and tied to a 150-mile agreement which sharply increases rates beyond that range. Several long-range contracts for oil and asphalt unloading provide no docking fee.

### RECOMMENDATIONS

#### **120. Lease the entire Southport Boat Harbor to a private operator.**

Over the past 9 months the Southport Boat Harbor lost \$20,200. Construction has begun on a 100-boat dry-rack storage facility, which will eventually generate additional income and may result in a break-even operation.

The authority has a contract with a marine sales and service company to provide repair services and boat chandlery. However, there is no boat sales operation, charter boat service, bait sales, or fish-packing facility. Thus, substantial sources of normal marina income are not available.

The Southport Boat Harbor should be leased to a private operator who would develop a full-service,

profitable marina, and provide an income to the state of about \$40,000 per year. Sale of this facility should also be considered, provided the authority could fulfill its legal obligations to develop the port.

#### **121. Develop a realistic program for long-range utilization of the phosphate bulk handling facilities at the Port of Morehead City.**

In 1965, the Ports Authority initiated development of a phosphate rock bulk handling facility. It was financed through two bond issues, with all bonds being held by the Economic Development Administration of the U.S. Department of Commerce. Only one company is now shipping phosphate through the port, and the facility is operating at approximately 9% of capacity. In fiscal 1972, the operation lost about \$138,900. This figure does not include any payment on the principal of the bonds. The authority is seeking a 5-year moratorium on these payments.

The Ports Authority should seek the services of a leading minerals economic consultant to work with the authority and the Department of Economic and Natural Resources in developing strategy for utilization of the bulk handling facilities and North Carolina's phosphate deposit.

#### **122. Develop a positive program to place the Port of Morehead City in a better competitive position.**

The Port of Morehead City suffers from several disadvantages, principally the highest mooring fees on the Atlantic Coast, pilot and tugboat services provided by the same company, as well as a serious imbalance of exports over imports which causes higher inland freight rates. There is also some evidence of excessive shoaling in the channel, which may adversely affect containerized cargo shipping.

Further development of the port is virtually stymied unless some improvements in these situations can be realized. The Ports Authority should seek the assistance of the Department of Transportation in establishing a plan for obtaining relief. A study group should be formed which includes representation of the Attorney General's Office and a full analysis of inland freight rates should be performed.

#### **123. Discontinue all major capital investments at the Port of Morehead City until full revenue shipments are substantially increased.**

During the 9 months ending March 31, 1973, the Port of Morehead City experienced an operating loss of about \$156,000. Further, its total full revenue shipments seem to be leveling off, with some indication of a decline. Present facilities seem adequate for handling a substantial increase in cargo. Construction plans involve extension of an existing dock at a cost of \$3.3-million and addition of a \$1.2-



million transit shed. These projects should be delayed until a substantially heavier volume of cargo is in immediate prospect.

**124. Enlarge business and transportation representation in the Ports Authority Board.**

Legislation authorizes a board of nine members to represent each section of the state as well as its business, agricultural, and industrial interests. On July 1, 1973, the terms of three members expired. The Governor should consider appointment of two members from major industries of the state and one from transportation.

**125. Authorize the Equipment Division to make rental vehicles, equipment, and tools available to the authority.**

Currently, the authority does not have access to Equipment Division resources and services. In the future, all planned purchases of new and replacement vehicles and equipment should first be checked with the Equipment Division for possible

rental. Savings and inventory reductions should result but cannot be estimated.

**126. Establish car pools at Wilmington and Morehead City, and reduce the number of cars in use.**

The authority, centered at Morehead City and Wilmington, does not require much travel. A car pool could reduce the number of cars from 22 to 12. Since it costs an average of \$1,800 per year to own and maintain an automobile, total savings would be \$18,000.

**127. Require prior physical examination of potential employees who would operate equipment or perform physical labor.**

Casual employees who work as lift truck operators and warehousemen at Wilmington are not checked physically. These men do the same work as regular employees and should receive physical examinations. Serious and costly accidents could thus be prevented.

## Department of Agriculture

The department was established in 1877 by the State Constitution. Its authority is specified by general statutes.

### CURRENT OPERATIONS

The Commissioner of Agriculture, an elected official, is a member of the Governor's Council of State and Chairman of the North Carolina Board of Agriculture. This board was also created by legislation and invested with broad regulatory powers. A number of other boards and committees operate within the framework of the department. These include the North Carolina Pesticide Board, the North Carolina Public Livestock Market Advisory Board, the Advisory Commission for the Museum of Natural History, the Gasoline and Oil Inspection Board, the Structural Pest Control Committee, the Board of Crop Seed Improvement, the Pesticide Advisory Committee, the Hog Cholera Committee, and the North Carolina Agriculture Hall of Fame.

In fiscal 1973, the department had 843 full-time and 60 part-time employees. Due to the seasonal nature of some operations, it could employ as many as 1,000 temporary employees. Expenditures for fiscal 1972, net of federal funds and receipts from sale of products and fees, were \$6.4-million. Fiscal 1973 expenditures were about \$7.3-million.

The rising trend of expenditures is influenced by the increase in legislated consumer-protection serv-

ices, such as animal and plant health programs and a wide variety of inspection activities. The department also operates agricultural research farms, administers programs in marketing of agricultural products, manages a statistical marketing information service, as well as operates a Farmers' Market, a State Museum of Natural History, and the North Carolina State Fair.

During 1972, the department was reorganized into its present alignment, as shown in the chart on the next page. Assistant commissioners direct the Offices of Fiscal Management, Consumer Services, and Agri-Business and Public Service.

### EVALUATION

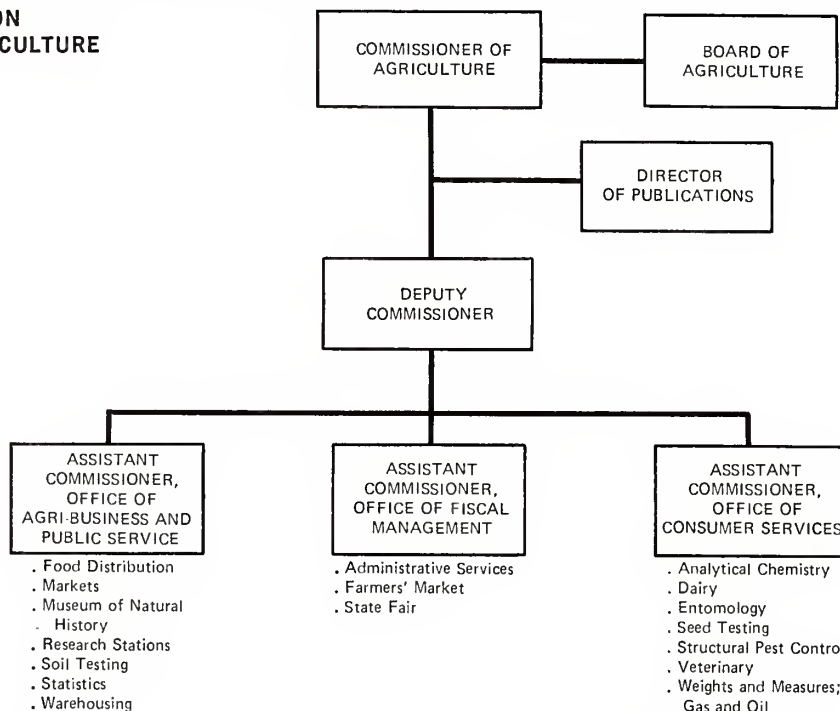
The department is an efficient organization and is effectively discharging the public service and regulatory functions assigned to it by law. However, it has failed to actively seek legislative changes required to maintain proper relationships between costs and fees for certain services. In certain other cases, legislative acts imply charges may be made for services, but no charge has been instituted.

Although the new structure, created in 1972, is vastly improved, some deficiencies remain. For example, the name of the Office of Consumer Services misrepresents its primarily regulatory functions. Also, operating divisions currently report to Fiscal Management, an administrative support unit.



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**PRESENT ORGANIZATION  
DEPARTMENT OF AGRICULTURE**



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**RECOMMENDATIONS**

**1. Reorganize the department and rename offices to properly reflect their functions and responsibilities.**

The current organization, illustrated in the chart directly above, has three offices. Each is managed by an assistant commissioner and performs mixed line and staff functions as well as service and regulatory duties.

The proposed reorganization, illustrated to the right, will better delineate responsibilities and provide more efficient operation. The Office of Fiscal Management should be established as a pure staff support unit and renamed Administrative Services. The present Assistant Commissioner for Fiscal Management would become the Director of Administrative Services. Staff support functions would include fiscal management, personnel, management systems, legal, planning and development, as well as publications.

Other recommendations suggest transferring the State Museum of Natural History to the Department of Art, Culture, and History, phasing out the warehouse division, reorganizing and renaming Consumer Services as Regulatory Services, and transferring the State Fair and Farmers' Market from Fiscal Management to Agri-Business and Public Service.

**2. Obtain the services of a full-time legal counsel from the Attorney General.**

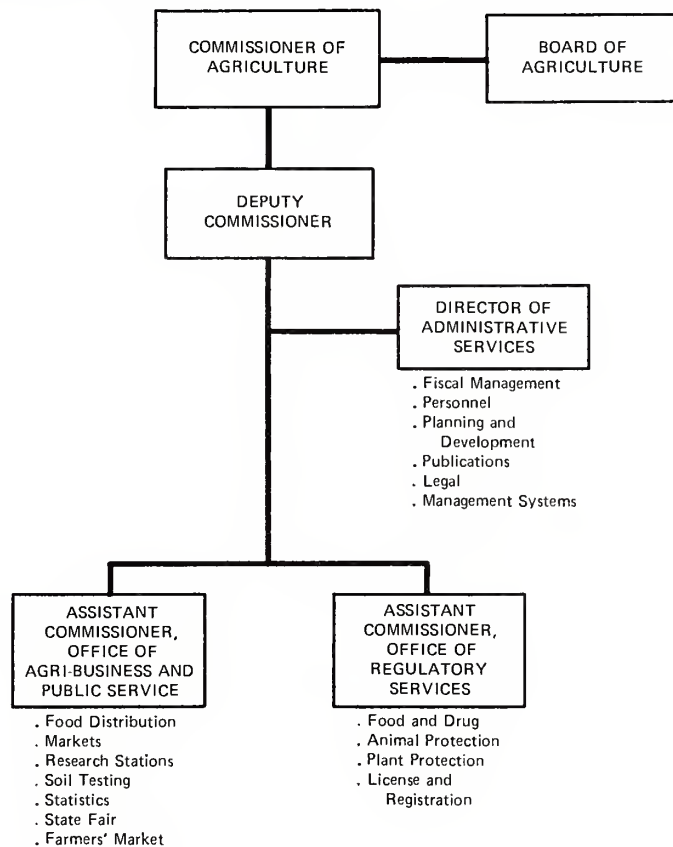
At present, legal services available to the department consist of 20% to 25% of the time of a staff lawyer from the Attorney General's Office. The individual normally assigned this duty is knowledgeable of laws and regulations pertaining to agriculture. However, due to other assignments, he is not always able to serve the department when needed.

A full-time attorney should be assigned to this department by the Attorney General to take advantage of the enforcement authority of the Department of Justice. This will result in an annual cost of \$15,000. Implementation would allow more efficient use of legal counsel's time. More attention could be paid to agricultural laws and regulations in need of revision, particularly those setting fees which no longer reflect the cost of services. Administration and enforcement of consumer protection laws would also be improved.

**3. Institute a study of job classifications.**

The system of job classifications in the Department of Agriculture appears inadequate when compared with similar classifications in other state and federal departments. The results are relatively high turnover and difficulty in recruiting competent, career-oriented employees. A thorough study of job classifications should be initiated. Any costs resulting from upgrading personnel would be more than off-

## PROPOSED ORGANIZATION DEPARTMENT OF AGRICULTURE



set by increased efficiency, improved morale, and decreased turnover.

#### 4. Establish a centralized management systems section.

Currently, systems analysis, programming, and the like are performed in various divisions of the department by individuals assigned to those divisions. Consequently, there is no overall planning or supervision. All of these separate operations should be merged into one section to better coordinate present work and plan future development. A manager or section chief in this systems section would represent the department on the Advisory Committee of the Administrative Computer Center. Although data processing efforts will probably increase due to additional work requirements, centralization should presently allow a reduction of one position, for annual savings of \$7,000.

### Office of Fiscal Management

This office is responsible for most administrative, financial, and personnel functions of the department. It is comprised of the Divisions of Administrative Services, Publications, Farmers' Market, and State

Fair. Although budgeted as a part of this office, Publications operates independently and reports directly to the commissioner. Salaries of the commissioner, deputy commissioner, and the assistant commissioners are included in the budget of this office. For fiscal 1973, its operating budget was approximately \$399,000, and the staff numbered 58.

Administrative Services' functions include budgetary control, general accounting, collection and auditing of inspection fees, personnel, license issuance, as well as general planning and development. Publications has general responsibility for the Department of Agriculture's public relations and communications. The Farmers' Market and State Fair are both self-supporting.

Weaknesses exist in certain administrative and organizational areas. The work of the office has been handicapped by outdated facilities, inadequate utilization of data processing equipment, decentralization of certain functions, and obsolete or unreasonable state procedures. In certain areas, unproductive work is performed, such as maintenance of duplicate files and excessive review of transactions. The State Fair and Farmers' Market, essentially public service activities, appear misplaced.

## RECOMMENDATIONS

### 5. Eliminate the biennial report.

The commissioner of the department is required by statutes to submit to the Governor a biennial report summarizing operations. Narrative is prepared by departmental personnel. The information reported can be readily obtained from reviewing annual plans of work, annual financial statements, budgeting requests, and similar documents. The report is an unnecessary duplication of labor and should be eliminated. Printing costs in 1972 were \$2,700. On an annual basis, savings would amount to \$1,400.

### 6. Delay payment of bills, other than those involving a discount, until they become due.

This office currently pays vendors' invoices when processing is completed. Credit terms, other than those involving a discount, are predominantly net 30 days. A review of the paid invoice file indicated the department paid bills in an average of two weeks. Monthly disbursements to vendors average approximately \$250,000.

Invoices should be filed by due date and disbursement made on or near that date. This would defer disbursements of approximately \$125,000 (50% of one month's disbursements). Assuming an interest rate of 6% for use of these funds, savings would approximate \$7,500 yearly.

### 7. Make the collection of assessments for commodity associations self-supporting.

The department performs certain accounting duties, including collecting and depositing receipts, for 10 agricultural commodity assessment programs. Funds are transferred to the associations and used for promotion and improvement of commodities, and the related industries. The cost incurred by the office in performing these duties should be charged to the associations in some equitable manner. An estimated \$11,000 would be recovered annually.

### 8. Reduce the staff of the audit section.

This audit staff reviews records and reports of companies paying fees on fertilizer, feed, seed, canned pet food, and agricultural lime and land plaster. From 1968 to 1972, audits generated additional revenues of approximately \$15,000. Currently, an auditor makes a yearly visit to each company paying fees of significant quantity.

An analytical review of fees reported should replace the annual audit. However, an audit should be performed if an unusual fluctuation is noted. The position of assistant auditor and a major portion of travel expenses could then be eliminated. Also, about 50% of a secretary's time would no longer be required, and this full-time position could be replaced by a part-time employee. Total estimated savings of \$24,500 annually would result.

### 9. Eliminate duplicate files, unnecessary records, and excessive testing of bills, and standardize departmental reporting forms and procedures.

The office is currently performing some unnecessary labor. Examples of areas where work could be reduced are as follows:

- ▶ Instruct divisions to requisition supplies weekly, thus eliminating many requests for small lots.
- ▶ Revise the purchase requisition form to eliminate retyping prior to submission.
- ▶ Increase the maximum cost of purchases, currently \$10, which can be ordered by the department without approval.
- ▶ Use window envelopes whenever possible to cut typing.
- ▶ Eliminate duplicate filing systems for licenses and registrations.
- ▶ Give the department budget flexibility regarding transfer among certain classifications.
- ▶ Halt excessive testing of bills and duplicate filing of certificates.
- ▶ Eliminate preparation of separate payrolls for regular, overtime, holiday or vacation pay, and similar categories.
- ▶ Stop providing the State Auditor with copies of receipts and disbursements documentation.
- ▶ Standardize and simplify divisional cash receipt forms.
- ▶ Record major automobile repairs only.

These reductions would improve overall efficiency and decrease total manpower requirements by two accounting clerks. Annual savings of about \$20,000 should be realized.

### 10. Rearrange office facilities.

The office space allocated to the Administrative Services Division is inadequate. Due to building design, this division is separated by a reception area, snack bar, and unrelated offices. In addition, key accounting personnel work in a room where a noisy posting machine is located. The arrangement of office facilities should be reviewed by a qualified individual with the objective of improving working conditions and efficiency.

### 11. Transfer the State Fair and Farmers' Market Divisions to the Office of Agri-Business and Public Service.

The Office of Fiscal Management is essentially a staff-support group. Responsibility for operations of



the State Fair and Farmers' Market should be transferred to the Office of Agri-Business and Public Service, which supervises public service activities.

**12. Publish the newspaper monthly and restrict its content to information not available in other media.**

Information currently printed in the semimonthly newspaper, *Agricultural Review*, does not justify its cost. If content were restricted to original articles and information not communicated by other media, publication could be once per month. As the cost for each issue is about \$1,500, savings would be approximately \$18,000 annually.

**13. Install a deep-well water system on the State Fairgrounds.**

Currently, water is purchased from the City of Raleigh. Costs have more than doubled in recent years, and expenses for fiscal 1973 are estimated at \$27,000. A deep-well water system should be installed to produce estimated annual savings of \$20,000. Other state agencies in the fairgrounds area might also be served from this water system for undetermined additional savings. A one-time cost for construction is estimated at \$100,000.

**14. Increase admission prices at the State Fair.**

Capital improvements of approximately \$1.89-million are deemed desirable by State Fair and department officials over the next few years to improve facilities at the State Fairgrounds. An increase in yearly revenues of about \$150,000 thus appears justified. Although the admission price structure should be the subject of extensive study, one alternative would be to increase adult admission costs from \$1.50 to \$1.75 and to charge a \$0.50 fee for children 6 to 12 years old. Based on estimated attendance of 300,000 adults and 150,000 children, additional revenues would amount to \$150,000.

**15. Eliminate the Office of Public Relations for the State Fair and transfer this responsibility to the Publications Division.**

Currently, the Office of Public Relations for the State Fair consists of a director and a full-time secretary. Since January 1, 1973, these positions have been vacant and their duties assumed by the Publications Division. With the recommended reduction in that division's work load, these responsibilities could be assumed permanently. Although temporary assistance may be required during the State Fair month, the annual cost avoidance would approximate \$20,000 annually.

**16. Obtain federal funds for cooperative programs during the month in which expenses are incurred.**

For certain cooperative programs, the state obtains federal funds by drawing on a letter of credit ar-

ranged by the federal government. Currently, the department does not receive funds until the month following expenditure. This money should be obtained during the month in which expenses are incurred. Such anticipation is permissible by federal regulations. At present, expenses reimbursed by letter of credit approximate \$75,000 per month. Implementation would produce annual savings in interest expense of about \$4,500.

## Office of Consumer Services

As the regulatory branch of the department, this office enforces statutes and regulations involving quality and sanitation of food and drugs. It also regulates commercial use of weight and measurement devices.

In fiscal 1973, the office employed 507 people and was budgeted for expenditures of \$3.9-million. Its seven divisions are as follows:

- ▶ Analytical Chemistry regulates food and drugs, animal feed, fertilizer, and pesticides.
- ▶ Dairy assures sanitary production of milk and milk products.
- ▶ Entomology administers statutes concerning vegetable plants, plant pests, bees, and honey.
- ▶ Seed Testing monitors the quality of agricultural, vegetable, and turf grass seeds.
- ▶ Structural Pest Control ensures that commercial structural pest control agencies are qualified and employ proper methods, equipment, and materials.
- ▶ Veterinary cooperates with the federal government on meat and poultry inspection and provides animal health services and diagnostic laboratory work.
- ▶ Weights and Measures; Gas and Oil annually verifies the accuracy of weighing and measuring devices used as a point of sale. It also registers all gasoline brands sold in the state and regularly performs qualitative tests on gasoline samples.

The office was organized in 1972 to provide better regulatory controls. However, the complexity of the present organizational structure causes duplication of effort and inadequate coordination of legislative requests and legal assistance. Procedural inefficiencies also exist in several divisions.

## RECOMMENDATIONS

**17. Reorganize and rename the office.**

The seven regulatory divisions of this office perform many parallel functions. The office should be re-

organized to allow pooling and streamlining of these tasks. Under the proposed plan, the office would be renamed Office of Regulatory Services to better describe its functions. The number of divisions would be reduced to four, with duties as follows:

- ▶ Food and Drug would regulate food, drug, cosmetics, and dairy production; inspect meat and poultry; and maintain a foods laboratory.
- ▶ Animal Protection would perform field and laboratory testing of feed quality and animal health.
- ▶ Plant Protection would control plant pests and perform field and laboratory testing of seeds, pesticides, and fertilizers.
- ▶ License and Registration would manage commercial licensing and registration, as well as direct weights and measures, gas and oil, and structural pest control sections.

By taking advantage of computer files for registration and licensing, control of lab samples and the regulatory process could be further simplified.

The proposed organization would require two additional managers and reclassification of four existing positions at a projected annual cost of \$52,000. However, there would be a reduction in staff of eight positions with annual compensation totaling \$89,000. Additional costs would include \$7,500 for one-time programming, \$4,000 for annual operations, and \$1,200 for annual rental of a magnetic typewriter. After programming, implementation would effect annual savings of \$31,800.

**18. Purchase several pieces of automatic equipment to increase the efficiency of the microbiology laboratory.**

Laboratory staff currently spend too much time in routine and preparatory functions. The purchase of an automatic dishwasher for \$4,000 and an automatic autoclave for \$5,000 would allow the lab helper to spend 5.5 hours per day assisting the staff. This would free the equivalent of 62% of one microbiologist's time. Acquisition of an automatic bacteria culture counter for \$3,600 would reduce staff time currently spent in this activity by nine hours per week. The total efficiency increase would equal 85% of one microbiologist's time. This should postpone the hiring of an additional microbiologist requested of the legislature, providing an annual cost avoidance of \$9,000. Total one-time equipment costs would be \$12,600.

**19. Raise fees to cover costs of feed inspection services.**

In 1965, feed inspection fees were reduced from \$0.25 to \$0.12 per ton to eliminate excess revenues.

The recent emergence of feed mills blending medication into their products has created a need for more extensive operations. The office has asked the General Assembly for \$75,000 from general funds to expand this service. By increasing the feed inspection fee from \$0.12 to \$0.18 per ton, additional income of \$100,000 would be generated. This should cover costs of the expanded inspection program.

**20. Increase the annual registration fee for commercial feed and fertilizer brands.**

The legislature has historically imposed fees to cover the cost of registration processing. The present feed and fertilizer fees of \$1 and \$2, respectively, are obsolete by this criterion. By increasing these charges to \$5 each, an estimated additional revenue of \$25,400 would result. This will defray a larger portion of program costs.

**21. Review costs of registering agricultural commodities annually, and suggest appropriate fee adjustments to the legislature.**

Commodity registration fees are set by legislation, with the intent of offsetting registration costs. Therefore, this office should annually review costs and suggest adjustments when necessary.

**22. Delay finalization of design and construction of the new Analytical Chemistry Laboratory.**

The 1973 legislature is considering a budget request of approximately \$2.5-million for a laboratory building to replace obsolete facilities in the Agriculture Building. However, a proposal has been made to restructure sections of the Analytical Chemistry Division. No further action should be taken until the impact of reorganization on requirements for the laboratory can be ascertained.

**23. Revise the fee structure of the Dairy Law to cover more of the program costs.**

The Dairy Law sets forth annual fees for wholesale and retail dessert dealers, milk samplers, and milk testers to defray costs of inspection. Present fees of \$2 for samples and testers, \$5 for retail outlets, and \$20 for dessert wholesalers netted less than \$6,500 in fiscal 1972. In the same period, the division's budget was over \$150,000, of which more than \$70,000 was related to inspections. To defray more of the costs, fees should be raised to \$10 for samplers and testers, \$25 for retail outlets, and \$50 for dessert wholesalers. This should bring in additional annual income of about \$23,900.

**24. Charge a fee for inspection of weighing devices which are not used as a point of sale.**

Inspection of weighing devices not used as a point of sale may be made upon written request. In fiscal 1972, such inspections involved a cost of approximately \$10,000. The law provides for charges for this service. Fees should be set at \$5 for small scales



and \$20 for heavy-duty scales. Revenues should be collected in advance, at the beginning of each year. Based on an average of 1,600 special requests, this action would generate income of \$10,000 annually.

**25. Increase the fee for inspecting garbage-feeding operations.**

Currently, state veterinarians and livestock inspectors spend a considerable amount of time in surveillance of individuals feeding garbage to swine. Since most outbreaks of hog cholera originate from improper treatment of garbage, the practice has been outlawed in several states. The current registration fee for garbage feeders of \$25 per year covers only a small portion of the cost to monitor operations.

The status of garbage feeders should be studied. If feeding garbage to swine was made unlawful, many monthly inspections would be eliminated. For the present, however, fees should be increased from \$25 to \$100 to recover a greater portion of costs. Additional revenues would approximate \$40,000.

**26. Increase the tag fee for bags of agricultural or vegetable seed weighing 10 pounds or more.**

The North Carolina Seed Law provides for a fund to defray expenses of inspection, examination, and analysis of seeds, as well as enforcement of the law. This fund is derived from licensing approximately 4,000 feed dealers. License fees range from \$1 to \$25 per year, and a \$0.02 tag fee is also paid by seed dealers and growers on each bag of agricultural and vegetable seed weighing 10 pounds or more. The receipts from these two sources provided all funding of the Seed Testing Division prior to fiscal 1954. Since 1970, however, expenditures have consistently doubled receipts.

A greater part of divisional expenditures should be derived from fees. This can best be accomplished by increasing tag fees to \$0.04 on each bag of seed weighing 10 pounds or more. In fiscal 1972, the recommended increase would have produced additional revenues of \$57,000.

**27. Eliminate the position of Assistant Director of Meat and Poultry Inspection.**

The current responsibilities of the Assistant Director of Meat and Poultry Inspection do not justify a full-time position. Recommended organizational changes combine the meat and poultry inspection function of the Veterinary Division with the Analytical Chemistry Division. Consolidation would further reduce the assistant director's duties. The position, therefore, should be eliminated. Assignment of its occasional staff responsibilities to supervising field veterinarians will assist in developing potential department directors. Annual savings of \$20,100 would result.

**28. Install a computerized system to maintain biological records of insects.**

Currently, the Plant Protection Division maintains records on 13,000 species of insects present within the state. In addition to biological information, these files summarize the distribution and abundance of each species. They are continually updated.

These records should be computerized. This step would not result in present savings but would provide a basis for future cost avoidance. As the division places more emphasis on pest management, use of the records system will substantially increase. Having information readily available would significantly reduce the cost of planning control programs on a broad scale. A one-time cost of about \$2,500 would be incurred for implementation.

**29. Develop a computer system for reporting results of germination and purity testing of seed samples.**

The Seed Testing Division analyzed 26,000 samples during fiscal 1972. Presently, a permanent record is originated upon receipt of each sample. Results are then evaluated and an official report is mailed to all concerned parties.

An automated system should be used in reporting test results. This would eliminate the need for part-time clerical assistance, yielding annual savings of approximately \$4,000. Additionally, the system should minimize staff additions as the work load increases, summarize test results for field inspectors, and supply statistical data for research. Estimated annual operating costs are \$800, leaving net annual savings of \$3,200. A one-time cost of \$2,500 would be required to install the program.

**30. Purchase a hydraulic lifting device for use at the calibration station.**

Approximately 600 test weights of 500 pounds each are calibrated annually. The testing process involves handling each weight at least twice. Presently, a small cart is used in moving them, but only one of the two metrologists is physically capable of this task. A hydraulic lifting device should therefore be purchased for use at the station. The one-time cost would be approximately \$3,500.

**31. Reorganize the Division of Weights and Measures; Gas and Oil.**

The director and the supervisor of this division currently have direct responsibility for 51 inspectors, 12 field chemists, and five clerical employees. Their duties, however, are not clearly defined, and both men have upward and downward communication with each individual inspector and chemist.

Each inspector determines his own schedule and submits a weekly itinerary. Through it, he is con-



tacted at night when necessary. Performance is evaluated on the basis of monthly summaries of daily reports sent in by each field employee with his inspection tickets. Group and division meetings are held periodically, but on a limited basis. In the present organization, employees are grouped in nine separate units.

The division should be reorganized into four inspection units: weights and measures, gas and oil analytical, gas and oil quantitative, and liquefied gas. Several positions should also be created:

- ▶ The assistant director would be responsible for orienting and training new employees, coordinating and planning with supervisors, approving new weighing and measuring devices, and other functions delegated by the director. The position should be filled by the present supervisor. It will provide continuity during the reorganization but should be phased out with the retirement of the present director. Since the duties of the two metrologists are related to gas and oil inspection as well as weights and measures, they should report to the assistant director.
- ▶ The Supervisor of Weights and Measures Inspection would direct eight heavy-duty and 10 small-capacity inspectors, one liquid fertilizer specialist, and a clerical assistant.
- ▶ The Supervisor of Gas and Oil Analytical Inspection, an expansion of the position of chief chemist in the analytical laboratory, would supervise laboratory employees and evaluate the performance and expenses of 12 field chemists and a clerical assistant.
- ▶ The Supervisor of Gas and Oil Quantitative Inspection would have responsibility for 25 gas and oil inspectors, five field calibrators, and a clerical assistant.

The supervisors' clerical assistants should process field inspection tickets, compile summary statistics, and maintain records of applicable licenses and registrations.

The responsibilities of the present Liquefied Petroleum (LP) Gas Engineer should be expanded to include evaluation of performance and expenses of the three LP gas inspectors. The engineer would share the services of a divisional clerical assistant with the director and assistant director.

As an initial priority, all supervisors should, in conjunction with the director and assistant director, re-evaluate current field inspection report forms. Simplification of these reports should be possible.

Implementation would greatly improve supervision and efficiency. A net addition of two supervisory

employees would result, at an approximate annual cost of \$20,700. Due to the rapidly expanding work load, a corresponding reduction of two inspectors is not advisable. With the increased supervision provided, the division should be able to absorb continued growth without increasing its inspection staff.

### **32. Close the branch veterinary diagnostic laboratories at Shelby, Waynesville, and Murphy and consolidate these operations at the new Asheville facility.**

The department has received funds for a full-service, branch laboratory at Asheville. Rather than staffing this laboratory with new personnel, existing branch laboratories in the area should be closed and their positions used to staff the new unit. The laboratories at Shelby, Waynesville, and Murphy are not operating efficiently. Their limited facilities permit only treatment of poultry, and resulting work loads are very light. By consolidating operations at Asheville, current personnel and miscellaneous expenses of about \$7,500 annually could be saved. Future personnel cost avoidances would approximate \$79,000 per year, or about 10 full-time positions.

### **33. Improve the training of state veterinarians.**

Federal participation in the veterinary program may be reduced in the near future. Because of this, utilization of current state veterinary staff must be increased or more state positions will be necessary.

State veterinarians should be given the same training provided to federal veterinarians. The cost would be nominal, since programs are offered by the federal government at no fee. An estimated \$10,000 would be required for travel and subsistence. Improved utilization of personnel would result. Required supervision and instruction time would be reduced. Two federal veterinarians and their related expenses would not have to be replaced by state personnel. An annual saving of \$35,000 would result.

## **Office of Agri-Business and Public Service**

This office is responsible for development and maintenance of agricultural services to the public sector. Its seven divisions include 278 state and 24 federal employees. For fiscal 1973, the total budget was about \$2.96-million.

Divisions include Food Distribution, which apporitions surplus federal food to schools, needy families, and other groups; and Markets, which grades and inspects crops, livestock, poultry, and eggs. Markets also supplies market development services, engineering assistance, and market news. The Museum of Natural History provides displays and educational materials on cultural and natural resources of the

state. The Research Station Division operates nine research centers, where investigations are conducted in the areas of crops, animal breeding, and poultry production. A Soil Testing Division makes chemical evaluations of soils for farmers, homeowners, and other groups. Statistics, also referred to as the Crops Reporting Service, collects, evaluates, and distributes data concerning crop and livestock production. It is staffed by state and federal employees under a co-operative agreement. The Warehouse Division administers the North Carolina Warehouse Law and provides facilities for housing grains and other crops.

Although divisional functions generally fit the scope of the office and most property and resources are utilized effectively, several problems do exist. The Museum of Natural History would appear better aligned with a department engaged in more related activities. There is a surplus of land managed by the research stations, and the state warehouse system is being phased out. Data processing resources are not fully applied, especially in areas of food distribution, statistics, and soil testing. Procedures of food distribution as well as issuance and billing for grading certificates are uneconomical. In some cases, reimbursement is made to the U. S. Department of Agriculture for unnecessary federal personnel. Also, certain office activities are hampered by obsolete laws or by lack of legislation.

## **RECOMMENDATIONS**

### **34. Transfer the management of idle, uncultivated land in research station tracts to the State Surplus Property Section.**

Land in tracts designated for agricultural research by the research stations totals 7,223 acres. Of these, 4,960 acres are on the property records of the Department of Agriculture and 2,263 on the records of North Carolina State University. At present, only 4,396 acres are cultivated. No plans exist for utilization of idle acreage.

About 1,500 acres of unused land should be transferred to the State Surplus Property Section. These tracts should be sold if no other use can be found for them. The research stations would be left with acreage available for 30% expansion. At an estimated sale price of \$500 per acre, the one-time income realized would be \$750,000.

### **35. Expedite the current phasing out of the state warehouse system.**

Current trends toward federal warehousing have caused a decline in use of the more than 100 state warehouses to about 30 at present. The state system has already ceased grain storage, and cotton warehousing is decreasing. A phase-out of the program has begun and this process should be accele-

rated. Current expenses are \$75,000, with interest from bonds and mortgages yielding \$60,000. Implementation would eliminate this net loss of \$15,000 annually.

### **36. Eliminate salaries and wages paid to federal personnel in two divisions.**

Two federal field inspection supervisors in the Markets Division are completely supported by state funds of about \$42,700 annually. Supplemental salaries of \$6,900 annually are paid to three full-time federal personnel in the Statistics Division. There appears to be no basis for continuation of these payments and they should be eliminated. Elimination of these salaries would save approximately \$49,600 annually.

### **37. Establish fee schedules for soil testing, engineering, egg distribution licensing, and seed potato grading services.**

These services currently generate no revenue to defray the costs of their operations. By establishing fees, the programs could be made self-supporting and would be sponsored by those using the services. Fees should be set on nonfarm soil samples at the rate of \$1 for standard tests, \$5 for problem tests, and \$10 for complete research samples. Annual income of \$59,700 would be generated.

Engineering consulting services are provided for profit-making agri-business concerns preparatory to engagement of architects or contractors. An hourly rate of \$12.50 for production time charged to the average 85 engineering contracts would yield \$60,000 in annual income.

An egg distribution licensing system should be developed. A fee for the distribution privilege should be reinstated at a rate of \$70 per distributor. Annual revenue from the approximately 660 distributors would be \$46,600.

The Seed Potato Law should be repealed and seed potato grading placed on a voluntary basis. The present annual cost of \$4,000 would then be offset by income from voluntary grading, assuming volume at 50% of current poundage.

Legislation to establish fees should leave the amounts to the discretion of the commissioner to facilitate cost-recovery. A net annual income of \$170,300 should be attained.

### **38. Develop a data processing plan for records management and consolidate divisional functions at the department level.**

Present systems allow too much duplication of supervisory and clerical effort. Through proper allocation of resources, the processing of records for the Food Distribution and Markets Divisions can be automated at recognizable savings in clerical effort.



Food Distribution would experience a reduction of three positions, representing annual savings of \$16,500. Application to the Markets Division would develop a net saving of \$13,000 by eliminating two employees. Better utilization of resources in the Statistics and Soil Testing Divisions will result in future cost avoidance.

Development of a long-range data processing plan should result in consolidation of management information and systems support at the department level. This would eliminate current duplications of effort.

**39. Initiate a comprehensive review and planning study of food distribution systems.**

According to a federal report, food distribution costs could be reduced and delivery schedules increased through use of better warehousing and a direct shipment plan. The present system is becoming more costly due to rail shipment demurrage charges and shortened unloading schedules. A thorough study by professional management consultants should be initiated. It would result in better efficiencies as well as reduced costs.

**40. Consolidate all publications and control at the department level.**

The divisions of this office distribute in excess of 100 publications which are not reviewed or controlled by the Publications Division of the Office of Fiscal Management. All should be consolidated under this division. Many duplications could then be eliminated. Through proper control and application of resources, significant reductions can be achieved in clerical, printing, and distribution costs.

**41. Reduce personnel through work simplification and reassignment of duties.**

Some personnel perform tasks which are unorganized or simply unnecessary. By redesigning the grading paperwork system and centralizing temporary payroll data in the Office of Fiscal Management, one clerk each in the field and horticultural crops sections could be eliminated. Annual savings of

\$13,200 would result. Due to lack of funding, one botanist in the Museum of Natural History is underemployed. This position should be eliminated, for annual savings of \$15,000. The total benefit from implementation would be an annual saving of about \$28,200.

**42. Conduct the farm census biennially.**

At present, the annual census is published from 9 to 12 months following actual events. This produces, at best, an excellent historical record.

The planning of agri-business development would be better served by expanding the sampling of production intentions and publishing a forecast prior to events. By using more sophisticated forecasting methodology, expanded intent forecasting, and better sampling techniques, the annual census could be held every 2 years for historical reporting and revision of projections. The current census costs approximately \$110,000 annually. If it is conducted biennially, with an interval-year 25% sample at a cost of \$27,500, average annual savings would be \$41,300.

**43. Consolidate regulatory functions within the Office of Consumer Services.**

Four commodity laws are currently administered by the Markets Division. These functions should be transferred to the Office of Consumer Services, which performs many similar duties. This transfer would increase the efficiency of on-site inspections at retail distributors. A reduction in field personnel could be achieved, as well as development of multi-commodity inspectors. Two positions could be eliminated, for annual savings of \$15,000.

**44. Transfer the Museum of Natural History to the Department of Art, Culture, and History.**

Museum goals and objectives are not related to those of this department. Its staff exhibits low morale and has no feeling of commitment to agriculture. The museum should be transferred to the Department of Art, Culture, and History, which manages similar activities.

## Department of Natural and Economic Resources

This department consists of several resource-related offices with regulatory, service, promotion, enforcement, and scientific functions. Numerous boards, councils, commissions, and committees participate in setting programs, rules, and regulations which, together with general statutes, are administered by this department.

### CURRENT OPERATIONS

The Secretary of Natural and Economic Resources is appointed by the Governor. The department is divided into the Offices of Water and Air Resources; Earth Resources; Industrial, Tourist, and Community Resources; Forest Resources; and Recreation Resources; as well as an administrative service group.



In addition, the former Office of Fisheries and Wildlife Resources was recently replaced by Commercial and Sports Fisheries and the Wildlife Resources Commission. The department's authorized employment is 1,650, although this number increases significantly during certain seasons with temporary employees. Fiscal 1973 net state expenditures were approximately \$17.2-million. Activities of the offices and other units are covered in separate sections of this report.

## EVALUATION

The department is still in the process of implementing its reorganization, and, to a great extent, its offices operate without significant department-level direction. There is still some ambiguity with respect to the management authority of the secretary relative to various boards and commissions. Too many boards, commissions, councils, and committees relate to the offices and divisions within the department. Management in some offices is weak. Long-range plans for backup management in key positions are inadequate or totally lacking. However, these are inherited problems which are receiving concentrated attention from current department-level management.

## RECOMMENDATIONS

### 1. Create an Office of Community Development within the department.

Three related functional divisions formerly under the Department of Local Affairs are located within two offices in the Department of Natural and Economic Resources. The Recreation Division, Law and Order Division, and Community Services Division should be rejoined for better management of local level services. Present management is sufficient for establishment of the office. The Recreation Division, a community-planning assistance group, would be aligned under Community Services. This action would alleviate the current need for a director for the Recreation Division. Net annual savings of \$4,600 would result from suspending the current plan to promote a section chief to director. Planning in new revenue-sharing programs and similar areas is in progress in all three units and should be combined and coordinated. Through the combining of like functions, two clerical positions in the Recreation Division could be eliminated for savings of \$12,600. Total savings would be \$17,200 per year.

### 2. Eliminate positions unfilled for at least 90 days.

Review of the personnel classification and position distribution report in May 1973 revealed 13 positions had not been filled for 90 days. These jobs are evidently not necessary to the operation of the de-

partment and should be eliminated. An annual cost avoidance of \$104,300 would result.

### 3. Study the feasibility of consolidating enforcement units of individual offices.

There are several hundred enforcement officers in the various operating divisions. All have powers of arrest and are assigned state radio-equipped vehicles. In many instances, they operate in common areas of the state. Cross-training and consolidating these units into one force would eliminate duplication, allow better scheduling, reduce equipment requirements, and improve morale. The feasibility of such a consolidation should be evaluated.

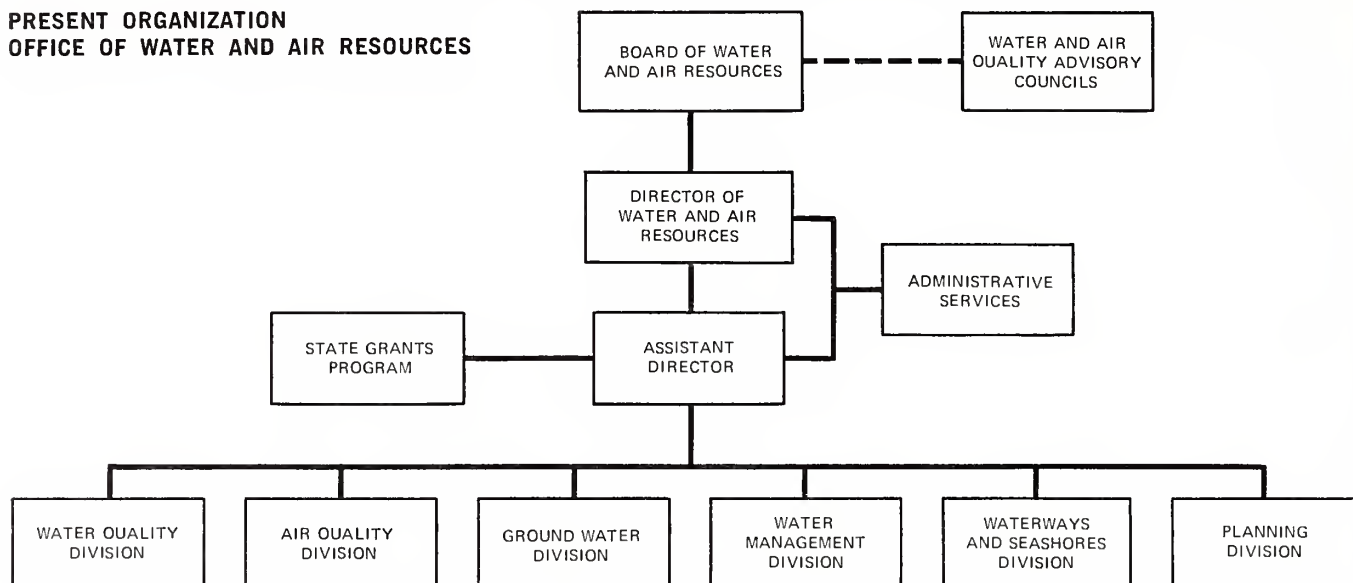
## Office of Water and Air Resources

Session laws of 1967 reorganized the State Stream Sanitation Commission and the Department of Water Resources into the Office of Water and Air Resources. The Board of Water and Air Resources was also established as the lawmaking and governing body. The 13-member board administers a complete program of water and air conservation and pollution control through the Office of Water and Air Resources. Meetings of the board are held quarterly, at which time recommendations of the Water and Air Advisory Councils are heard.

This office, as shown in the present organization chart on page 130, consists of the Administrative, Waterways and Seashore, Planning, Ground Water, Water Management, Air Quality, and Water Quality Divisions, as well as the State Grants Program. It has a total complement of 218 employees. The director and assistant director are appointed by the board. The director has no powers except those delegated by the board by formal resolution, while the assistant director is designated by law as responsible for carrying out administrative duties with respect to water and air quality. Advisory councils assist in developing rules, regulations and quality standards for water and air pollution control.

The office is poorly organized and inefficiently operated. This is primarily the result of awkward rules, conflicts between the law and the Board of Water and Air Resources, and failure of the board to be specific in some of its rules and programs. The director does not have managerial control over all of the departments, and division of responsibility has created a two-director department. Overlap and duplication of effort is common. Morale of the department is adversely affected, and personnel are underutilized. There is also a division of functions and duplication of effort between this office and other agencies of government, specifically the sanitary engineering section of the Department of Human Resources.

**PRESENT ORGANIZATION  
OFFICE OF WATER AND AIR RESOURCES**



**RECOMMENDATIONS**

**4. Reorganize and rename the office.**

A number of years ago, this office was a part of the Health Department. It separated as a water and air quality function, but solid waste disposal and water supply units remained in the Health Department. Broadened environmental functions of the office have resulted in increasing conflicts and overlaps of responsibilities.

In addition, the current organization is not descriptive of management. Complications result because the board defines responsibilities of the director, while law defines the duties of the assistant director. This conflict has in effect created two departments within the office and has contributed to inefficiencies, duplication of effort, lack of communication, hostility, and disinterest.

The office should be reorganized, as shown in the proposed chart to the right. This would involve the following steps:

- ▶ Amend the law and regulations to concentrate managerial authority in the director.
- ▶ Transfer the Solid Waste Disposal Section, Water Supply Section, and related laboratory support functions from the Department of Human Resources to this office. These sections, together with the Water and Air Quality Divisions, should report to an Assistant Director for Environmental Quality Management. Other divisions would report to an Assistant Director for Environmental Resource Management.

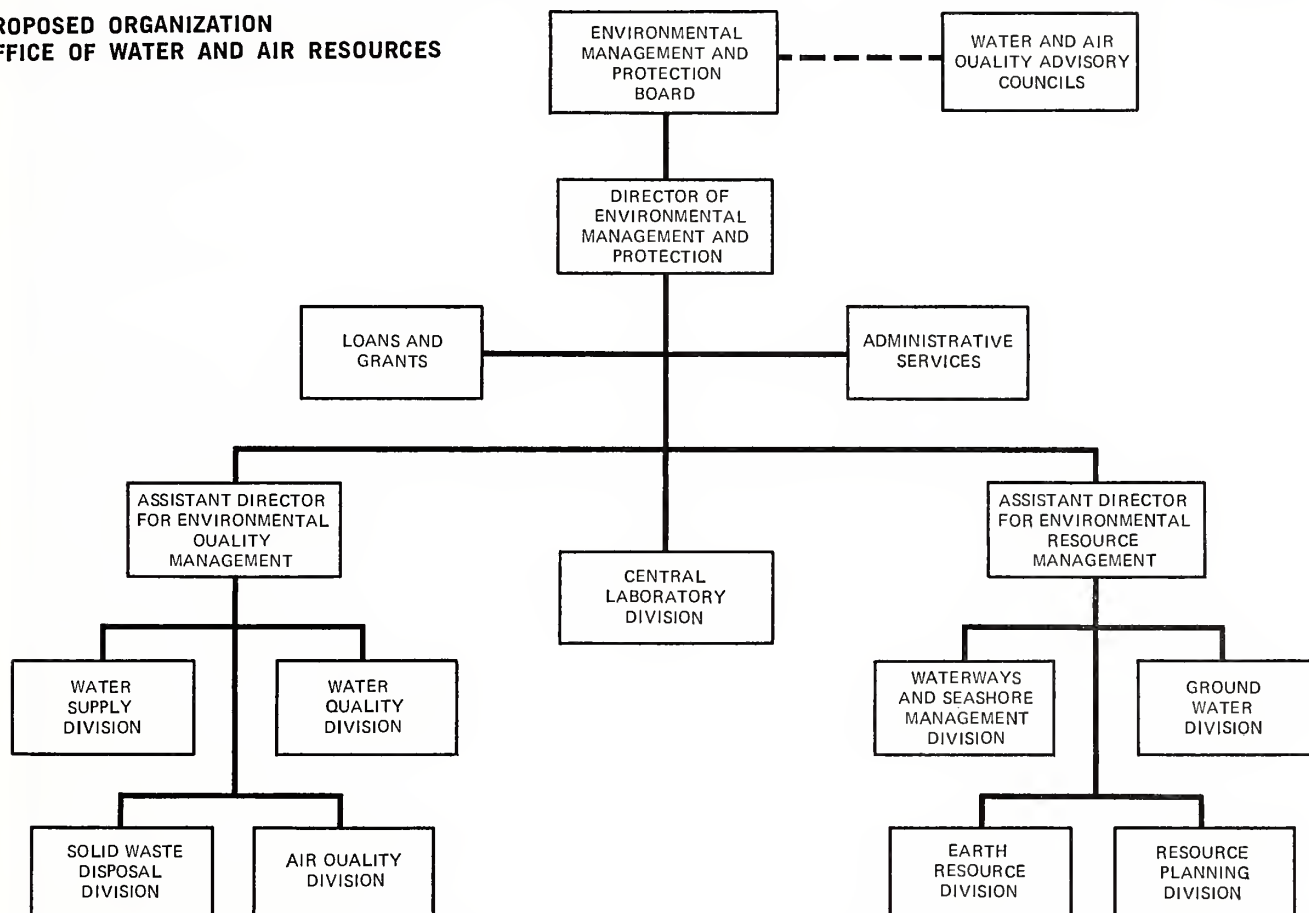
- ▶ Change the title to Office of Environmental Management and Protection to reflect its expanded functions and responsibilities. The Board of Water and Air Resources should be similarly renamed. Loans and Grants would be more accurate for the State Grants Program.

Merger of the Office of Earth Resources is proposed elsewhere, and a reduction in the level of effort in the Planning Division should also be effected. This division has lacked definitive direction from the board and has defined its own scope. Examination indicates its work plan is far too detailed and probably not capable of its intended purpose. Elimination of 10 personnel and related expenses in this division would provide \$100,000 in annual savings without impairing proper planning.

Consolidation of the air quality, water quality, and solid waste disposal laboratories into one central facility, for which space is available, would allow phasing out 10 positions for annual savings of \$100,000. Elimination of three clerical positions should be achieved, saving \$18,900 per year. Proper coordination and management, elimination of duplicate and overlapping effort, and general improvement in efficiency would permit a further reduction of 15 personnel for yearly savings of \$150,000. Total annual savings would be \$368,900.

This office is subject to rapid and significant changes in laws and regulations, both state and federal, and its work load is increasing. The next biennial budget requests an additional 27 employees. Rather than eliminate present qualified and experienced em-

**PROPOSED ORGANIZATION  
OFFICE OF WATER AND AIR RESOURCES**



employees, some reductions should be made in proposed staff additions.

**5. Transfer responsibility for registration of dredging equipment from the Waterways and Seashores Division to the Office of Commercial and Sports Fisheries.**

This division is currently responsible for annual registration of dredging equipment used within the state. However, it does not have field staff necessary to supervise this function. The Office of Commercial and Sports Fisheries is responsible for issuing permits for dredging operations. Its field staff and equipment used to regulate dredging operations should also control registration of equipment. This action would not produce significant savings, but it would result in more effective administration.

**6. Eliminate one clerical position in the Waterways and Seashores Division.**

When this division was given the responsibility for administration of the Beach Project Revolving Fund, it was also allocated an additional full-time clerical position. To date, administration of the fund has

required only minimal, part-time use of this employee. Current needs in other areas cannot justify this position, and it should be eliminated. Annual savings of approximately \$3,000 and a cost avoidance of \$5,000 would result.

**7. Transfer the responsibility for Aquatic Plant Control from the Waterways and Seashores Division to the Wildlife Resources Commission to improve operating effectiveness.**

The Waterways and Seashores Division administers the state's participation in the Army Corps of Engineers Program for Aquatic Plant Control. This program uses several means for controlling plants whose growth interferes with drainage, navigation, fishing, health, and recreation. All state participation in this program is subject to approval of the Wildlife Resources Commission. This commission also has sufficient staff to supervise and inspect locations requesting aid. Full responsibility for state participation in this program should be transferred to the commission. Implementation would improve administrative effectiveness.



## **8. Assign full-time legal counsel to the Office of Water and Air Resources from the Office of the Attorney General.**

Due to increasing federal and state legislation in the areas of water and air pollution control, the need for legal services has become more acute. These services are currently supplied by the Attorney General's Office. However, the individual most knowledgeable in these new and specialized laws is not always available. Full-time legal counsel should be assigned to this office by the Attorney General.

## **Commercial and Sports Fisheries**

This unit is responsible for conservation and development of marine fisheries resources. A Commercial and Sports Fisheries Advisory Board acts as liaison between those interested in utilization of marine and estuarine resources and the commissioner.

The staff consists of 84 people, the majority of whom are located in the coastal areas. Fiscal 1973 net expenditures were about \$1.2-million. There are three operating sections.

Research and Development develops research data for the purpose of conservation and management of North Carolina's marine fisheries resources. Its activities include district biologist, oyster rehabilitation, shrimp research, anadromous fisheries, and ocean fisheries programs. In fiscal 1971, 22% of this division's operating budget was derived from federal funds on a cost-sharing basis.

The Estuarine Studies Section was organized to assist in use and management of coastal resources. Approximately 40% of the effort of this section is related to administering the North Carolina Dredge and Fill Law.

Law Enforcement ensures compliance with coastal fishing laws and regulations and the dredge and fill law. Responsibilities include collection of taxes, patrolling assigned areas, and public education.

Morale in the division is adversely affected due to equipment problems, salary difficulties, and interference in law enforcement cases. Additional problems arise because of the distance separating administrative and field operations.

## **RECOMMENDATIONS**

### **9. Dispose of two patrol boats.**

The 45-foot "Cape Lookout" and the 46-foot "Cape Fear" are both outfitted with trawling gear and used 90% for shrimp and anadromous fish sampling by Research and Development. Neither is used enough by Law Enforcement to justify their use and maintenance by that section. The "Cape Lookout" is old,

and expensive to maintain. The "Cape Fear" can fulfill the needs of Research and Development.

Therefore, the "Cape Lookout" should be sold, and the "Cape Fear" transferred to Research and Development. The "Cape Lookout's" captain and mate should be switched to law enforcement field work. This boat was budgeted for replacement. Its sale would provide a one-time income of \$8,000 and a cost avoidance of \$60,000. Annual savings of maintenance expenses would amount to \$3,500.

### **10. Redistribute patrol boats.**

Neither the 48-foot "Neuse" nor the 61-foot "Raleigh Bay" are used extensively. However, under certain conditions this size boat is needed. The majority of these situations occur in the northern part of the state in open waters where 18-foot outboards cannot safely operate. The "Neuse" is presently located in Manteo. The "Raleigh Bay" is located in Morehead City, and its area could as well be patrolled with smaller 22- to 24-foot inboard/outboard boats.

The "Neuse" should be sold. The "Raleigh Bay" should be transferred to Manteo to patrol the ocean and large bodies of water such as the Albemarle and Pamlico Sounds. Two smaller inboard/outboard boats should be purchased to provide faster, less expensive coverage of the vacated area. Net one-time income of \$28,000 would result, along with annual savings of \$3,500 on maintenance.

### **11. Charge a fee for permits required by the North Carolina Dredge and Fill Law.**

A permit is required by law before any excavation or filling project is begun in estuarine waters, tidelands, marshlands, or state-owned lakes. This division has complete responsibility for processing permit applications and enforcing the law. The procedure has been an effective tool in protection and conservation of coastal areas. An average of 275 permit applications are processed each year. Even though the number of applications is small, considerable time is required in their processing.

A permit fee should be established to offset the cost of processing applications and enforcing the Dredge and Fill Law. At least three classifications of permits should be established based on the scope of the proposed project. The fees should increase with the scope and average \$100 each. Implementation would provide increased annual income of \$27,500. The administrative staff could assume responsibility for this function without an increase in personnel.

### **12. Sell the district office in Southport.**

A district office was built in Southport during 1972 for use by the employees of the Law Enforcement

Section. This building's cost was \$27,000, and maintenance expense is approximately \$1,000 per year. No staff is permanently assigned to the building, and it is currently used as a place for district officers to write reports or make phone calls when they are in the Southport area. This does not justify the cost. Therefore, the building should be sold to provide a one-time income of approximately \$30,000 and an estimated annual saving of \$1,000.

**13. Transfer the director and the Raleigh staff to headquarters in Morehead City.**

The three section chiefs, along with most of their personnel and equipment, are located in Morehead City. Poor coordination, communication, and administrative management result from the distance between the commissioner's office and the major operation. Adequate office space is presently available in Morehead City headquarters, and the director and the Raleigh staff should be transferred.

**14. Establish a position of Administrative Officer.**

The duties of the present assistant director involve more administration than direction. A full-time director located at Morehead City could provide all the management required. Therefore, the assistant director's position should be replaced with one titled Administrative Officer.

**15. Automate the annual licensing of commercial fishing boats.**

Licenses are presently sold by 40 to 50 agents throughout the 25 counties under jurisdiction of Commercial and Sports Fisheries. Licenses are sold on the basis of boat length and must be purchased annually. Agents collect a 5% fee. Law enforcement inspectors visit each dealer, audit records, and forward the results to the Morehead City office. This office reaudits and sends its information to the commissioner in Raleigh. Approximately 12,000 licenses are sold annually, yielding revenue of \$70,000.

A computer program should be written to produce a card to be sent to each boat owner requesting the license fee. The office would deposit receipts, send the valid cards to central data processing to record changes, and mail license plates to the owners. Better control and efficiency of processing licenses would result. Savings of agent's fees would be realized. Inspection time and effort would be reduced, and one inspector could be eliminated. Net annual savings would be \$13,400. A one-time cost of \$5,000 for program writing would be necessary.

**16. Eliminate the position of Sports Fisheries Statistician from Estuarine Studies.**

Currently, the position of administrative officer in Estuarine Studies is filled by an employee involved in promotion of the sport fishing industry. This em-

ployee awards citations for prize catches of fish in the coastal area and gathers related statistics. The function is not required for accomplishing the objectives of the section and should be eliminated. Annual savings of approximately \$13,500 in salary and expenses would result.

**17. Discontinue collection of the dealer self-assessment for the North Carolina Fisheries Association.**

Currently, district tax collectors of the Law Enforcement Section attempt to collect this assessment along with seafood taxes. No enforcement powers support the assessment. When a dealer refuses to pay, the collector has no course of action. This is adversely affecting the morale of the Law Enforcement Section. The state receives no reimbursement for the collection service.

Collection of this self-assessment should be discontinued. Although no significant savings would result, morale and efficiency of Law Enforcement would be improved.

**18. Purchase ship-to-shore radio equipment immediately for personnel safety purposes.**

This unit's small boats operate without radio equipment. Thus, they have no method of communicating with fellow officers if mechanical trouble or other problems arise. A statewide law enforcement communications network is currently being considered. This unit's need should be included in the study. In the meantime, radios should be purchased for boats which operate in large bodies of water, such as Albemarle Sound, Pamlico Sound, Cape Fear, and the Alligator River. The one-time cost for four 50-watt, ship-to-shore radios would be \$1,600.

**19. Eliminate the budget provision support of the former Office of Fisheries and Wildlife Resources.**

The 1971 reorganization called for Commercial and Sports Fisheries to allocate \$8,500 for support of the Office of Fisheries and Wildlife Resources. This office has been eliminated. The allocation remains in the budget and should also be eliminated.

## **Wildlife Resources Commission**

This commission has statutory authority to manage a complete program of development, restoration, conservation, protection, and regulation of wildlife resources. It administers laws relating to game, freshwater fish, and other wildlife.

Though budgeted as a part of the Office of Fisheries and Wildlife, the commission operates independently. It is self-sustaining through revenues from hunting and fishing licenses, motorboat regis-



tration, and federal cooperative programs. For fiscal 1973, the commission budgeted revenues of \$6.6-million and expenditures of \$6.9-million, with a remaining fund balance of \$1.3-million. The staff includes 375 employees in six sections.

The Game Section is responsible for conservation and development of wildlife on 1.8-million acres of state game lands. Inland Fisheries supports sport fishing through operation of six hatcheries and various research projects. Motor Boats and Water Safety promotes boating safety on inland and tidal waters. Protection enforces various regulations and laws pertaining to fish, game, and boating. Education produces newspaper articles, films, radio and television programs, and publications regarding the state's wildlife resources. Administrative Services performs staff support functions including accounting, personnel, and purchasing for all operating sections. The commission's operations are efficient and businesslike. However, it has too much autonomy. Virtually no assistance is provided to other agencies.

## **RECOMMENDATIONS**

### **20. Eliminate the budget provision for the Office of Fisheries and Wildlife Resources.**

In 1971, legislation established an Office of Fisheries and Wildlife, which comprised Commercial and Sport Fisheries and the Wildlife Resources Commission. Included in the commission's fiscal 1974 budget is approximately \$25,600 for salaries of the office director and his secretary. Subsequent to preparation of the budget, however, these two positions were eliminated. Accordingly, the amount budgeted for them should also be eliminated, providing an annual cost avoidance.

### **21. Halt duplicate inventory and accounting work.**

The warehouse manager maintains a complete perpetual inventory record, as does a clerk in Administrative Services. Since the warehouse manager's file is used for all purchasing decisions, the clerk's records should be eliminated.

Also, a bookkeeping machine is used for maintenance of control totals for budgetary and accounting purposes. After automation of accounting records, this duplication should be eliminated. As a result, a full-time position could be replaced by a part-time employee, for annual savings of about \$3,200. The bookkeeping machine should be sold for one-time income estimated at \$3,000.

### **22. Eliminate a revenue collection supervisory position.**

The revenue collection function is divided into licenses and registrations subsections. Each staff has a

supervisor who reports to a revenue collection supervisor. One of the lesser positions has been vacant for more than a year, and the revenue collection supervisor has been directing this staff with no apparent difficulty to either subsection. Therefore, a revenue collection supervisor position should be eliminated, providing annual savings of \$8,500.

### **23. Phase out the administrative tabulating unit.**

With recommended changes in application processing and further automation of existing tasks, the tabulating unit within the division should be eliminated. Key punch operations and systems liaison would be retained. However, data processing work loads should be transferred to the Administrative Computer Center. Existing tabulating equipment should be sold or donated. Estimated annual savings from eliminating two tabulating operators and a key punch operator, as well as a reduction in key punch rent, would be \$24,100.

### **24. Increase the yearly subscription price for the commission's magazine to \$2.**

There are 100,000 subscribers to the magazine at the current rate of \$1 per year. All of these do not pay full price, and some do not pay at all. Estimated annual receipts from paying subscribers are \$75,000 to \$80,000. Printing and mailing cost average \$120,000 yearly and are increasing. Employee salaries average at least \$20,000. The subscription price should be increased to \$2 per year. Additional annual income of about \$75,000 would cover production costs.

### **25. Replace outdated information and education films.**

Numerous films have been produced to promote understanding of the state's wildlife and duties of the commission. Two of these films are outdated.

These films should be remade and brought up to date. The Education Division has the facilities to produce these films. However, there is some question as to whether it has the expertise to produce as comprehensive and timeless a film as an outside professional film company. The estimated outside production cost would be \$60,000 for two 30-minute films.

### **26. Employ the state university audio-visual department for distribution of films.**

Distribution of educational films by the commission is limited by inability to manage more than the current level of about 200 monthly requests. Additional reasons include the lack of up-to-date films, and inability to maintain them under greater usage.

Assuming outdated wildlife films are remade and updated, the audio-visual department at the University of North Carolina should be employed to



actively publicize and distribute them. This department offers maintenance as part of its service. The charge would be \$3 per booking, and a request by the division was solicited for 700 bookings. The total cost would thus be \$2,100 per year.

**27. Revise the current hunting and fishing licensing system.**

Currently, over 1-million licenses are issued for seasonal hunting, fishing, and trapping. Sales are made through 1,100 private agencies. A combination punched card and license stub is the document of origination. The cards are sent with totals to Administrative Services, where they are balanced by tabulating equipment, and then forwarded to the Administrative Computer Center for entry into the agency accounting system. This system only processes total sales.

A revised licensing system should be implemented which eliminates the punched card and uses a stub-type, credit-card-sized license. Stubs and agency totals would be submitted periodically. Stubs would be microfilmed for retrieval when issuing duplicate licenses or addressing questionnaires.

Proper audit and control could still be established over license types. Annual savings of \$43,500 would result from reductions in license forms, data processing expense, and retrieval cost, plus elimination of a clerical employee from the license processing unit. An annual cost avoidance from eliminating the purchase of filing cabinets would amount to approximately \$2,400.

**28. Require license agents to certify the residence of each applicant by examining a driver's license or other identification.**

At present, the price of a nonresident hunting license is considerably higher than that of a resident license. Estimates of the number of nonresidents who fraudulently hold resident licenses range from 1% to 10% of the total issued. This represents a loss in revenue conservatively estimated at \$37,000 per year.

All issuing agents should be required to examine the driver's license or other appropriate identification of each applicant. They should also certify legal residence and record the driver's license number on the license. Assuming this would eliminate 50% of the fraud, annual revenue would increase by about \$18,500.

The commission should also survey a 2% sample of all resident license holders to determine the actual percentage of fraud. If such cheating in extensive, a more complex licensing system should be considered. The approximate one-time cost of this survey would be \$1,500.

**29. Intensify the Forest Management Program of the Game Section and apply the commission's income from sale of forest products towards the cost of this program.**

The primary objective of the division's Forest Management Program is to show that forest and wildlife management are compatible. First priority is given to wildlife development and conservation. At present, 84,000 acres of suitable state-owned gamelands are not subject to forest management.

A timber inventory of the idle land should be completed to serve as a basis for management. The annual cost of an intensified program would be approximately \$168,000, assuming a normal 30-year rotation. Immediate income from clear-cutting would be approximately \$196,000 per year, for a net annual income to the state of \$28,000. At the end of the 30-year period, a total of 164,000 acres of gamelands would be under forest management. The state should then realize a 10% rate of return on the cost of maintaining the program.

**30. Evaluate the benefits and use of each parcel of state-owned gameland at 5- or 10-year intervals.**

The Game Section manages 184,000 acres of state-owned land. Parcels range in size from four to 55,000 acres. The land is used in an integrated program of habitat development and conservation. The value of each parcel should be evaluated on a regular basis. Parcels with limited wildlife development uses should be sold.

**31. Review the policy regarding the rotation of automobiles.**

Enforcement officers are assigned high-powered automobiles similar to those of the Highway Patrol on a 3-year rotation. Repairs have been excessive during the third year. Policy should be reviewed to determine whether greater efficiency would result if automobiles were updated more frequently. Safety should be considered, as these cars are occasionally used in high-speed pursuit.

**32. Improve the reliability of radio system relay stations.**

The radios in enforcement officers' automobiles have very limited range and rely on relay stations. Currently, these stations are located in officers' homes and are operated by officers' wives. Although these women do an admirable job, it is infeasible for them to tend the stations full-time. The possibility of incorporating relay stations with local police or fire department networks should be thoroughly investigated.

**33. Revise the boat registration system.**

The present system is a combination microfilm and tabulating process which registers approximately

100,000 boats. A pending regulation will require registration of an additional 100,000 boats and over-tax the entire system.

Therefore, either all boats should be added to the files and system of the Office of Motor Vehicles, or this commission's registration system should be fully automated. In the latter case, the Administrative Computer Center of the Department of Administration could be utilized to provide an efficient control system. With either approach, a minimum of two clerical positions could be eliminated due to a reduction in paperwork, more accessible files, and simplified workflow. Annual savings would amount to \$12,600. Costs would be offset by elimination of current operating expenses.

#### **34. Eliminate the position of engineering aide.**

A position of engineering aide in Motor Boats and Water Safety has not been filled for some time. Its duties and responsibilities have been absorbed by other personnel. The position should be eliminated, providing annual savings of \$10,800.

### **Office of Earth Resources**

This office and its five divisions direct programs aimed at proper use and conservation of soil, water, mineral, and land resources. Its operating budget for fiscal 1973 was \$840,000 for a staff of 37 people. Of the divisions, Mining and Petroleum are regulatory, the Geodetic Survey Division and the Soil and Water Conservation Committee are service-oriented, and Mineral Resources is both scientific and service in nature. The State Geologist directs the office, but he also serves as Director of Mineral Resources and Secretary of the Petroleum Division.

This office is performing its assigned functions. However, it is not large enough to sustain office status.

#### **RECOMMENDATION**

##### **35. Transfer this group to the Office of Environmental Management and Protection.**

Another recommendation covers organization of an Office of Environmental Management and Protection. Most functions of Earth Resources are directly related to the environment. Therefore, it should be transferred to the realigned Office of Environmental Management and Protection.

### **Office of Industrial, Tourist, and Community Resources**

This office coordinates programs designed to promote economic growth of the state. Emphasis is on developing commerce and industry, management planning for local communities, and tourism. Other

functions include implementation and management of local aspects of the Omnibus Crime Control and Safe Streets Act programs, promotion of scientific and technological research and development, as well as coordination for federal parks.

Comprised of six operating divisions, the office had 226 personnel and a budget of \$5.5-million in fiscal 1973. The Division of Commerce and Industry has established sections for development of general industry, international trade, local communities, and the seafood industries. Community Services provides community planning assistance in matters of general management and revenue-sharing. The Board of Science and Technology administers state grants of \$250,000 annually to support research for economic development of the state. It also houses the Triangle Universities Computation Center.

The Division of Law and Order is a joint federal-state program which manages funds allocated to the state under the Omnibus Crime Control and Safe Streets Act. These totaled \$21.9-million in fiscal 1973, of which the state share was \$1.9-million.

Travel and Promotion has a mission of developing and maintaining the travel industry of the state. The Parks, Parkway, and Forest Development Commission provides liaison with federal agencies and local communities in the development of recreational and scenic resources in western North Carolina.

The office is meeting its stated objectives. However, the Divisions of Law and Order, Community Services, Travel and Promotion, and the Parks, Parkway, and Forest Development Commission do not appear to be aligned with the overall mission of economic development. The Board of Science and Technology lacks direction and does not place enough emphasis on research applicable to current industry needs.

The Divisions of Commerce and Industry and Community Services are most directly related to the general goal, but they do not have a close working relationship. Management personnel make few visits to field offices and lack awareness of field needs for equipment and supplies. There is also little recognition of field office efforts. Currently, the sections within the divisions do not participate in overall plans of work and budget preparation.

#### **RECOMMENDATIONS**

##### **36. Reduce staffing through reorganization of the Division of Commerce and Industry and realignment or elimination of functions in other divisions.**

Currently, there are several inefficiencies in utilization of personnel. Through reorganization of Com-



merce and Industry into four functional areas and one staff section, three management positions could be eliminated. Realignment of office locations, work load dispersal, pooled typing, and proper supervision would also allow a reduction of four secretaries. Total annual savings would be \$65,550.

Discontinuing a very unprofitable marketing effort at the Science and Technology Center would effectively net annual savings of \$29,200 by eliminating one full-time and three part-time positions. Sale of two vehicles would yield one-time income of \$2,800.

By transferring fiscal management functions to the departmental level, the Division of Community Services could eliminate one administrative position. Adjusting clerical work assignments would eliminate the need for two secretaries. Total savings would be \$26,450 annually. Also, a part-time employee could be dropped from Travel and Promotion through office relocation and more effective use of storage facilities. Annual savings of \$1,400 would result. Combined annual savings from these changes would be \$122,600.

**37. Transfer the Division of Law and Order to the proposed Office of Community Development to improve administration.**

The Division of Law and Order has been part of the Office of Local Affairs until attached in 1971 to the Office of Industrial, Tourist, and Community Resources. The division is federally funded under the Omnibus Crime Control and Safe Streets Act. Because state monies have not been required for administration of its program, little administrative guidance has come from the agencies to which it has been attached.

By law, the head of the division must be appointed by the Governor. Since funds administered by the division represented about 44% of the department's fiscal 1972 expenditures, there is considerable need to circumvent the chain of command and create direct communication with the Governor's Office. An Office of Community Development within the department has been proposed to coordinate agencies assisting with federal programs and funding. The Division of Law and Order should be transferred to this office. Better control and flow of funds would result, along with improved overall administration.

**38. Reorganize the Board of Science and Technology to make it more sensitive to the need for industrial expansion in North Carolina.**

This board's current activities do not fulfill the intentions of the legislation that created it. To achieve this purpose, a permanent organizational relationship should be established between the Office of Industrial, Tourist, and Community Resources and

the Board of Science and Technology. The charter of the board should be altered and the membership restructured to deemphasize scientific appraisal and emphasize the commercial and industrial value of research.

**39. Transfer the Parks, Parkway, and Forest Development Commission as well as the Travel and Promotion Division to the Office of Parks, Recreation, and Tourist Resources.**

The purpose and functions of this commission are more closely related to parks and recreation than to economic growth. Inclusion of the commission in the State Parks Division would provide better coordination for the long-range development of park resources in the state.

Travel and Promotion advertises the state's scenic and natural attractions to encourage travel throughout North Carolina. The Office of Parks, Recreation, and Tourist Resources is becoming more of a force in planning state recreation facilities, and many existing recreation resources are being overtaxed. Planning and promotion would be better coordinated if the Travel and Promotion Division were transferred to that office.

**40. Change the name to the Office of Industrial Resources.**

Other recommendations propose transferring all but two of this office's present divisions to other offices. Only the Division of Commerce and Industry and the Division of Science and Technology will remain. Therefore, the office should be renamed Office of Industrial Resources, which would be more descriptive of its subsequent responsibilities and functions.

**41. Transfer responsibility for the Division of Community Services to the proposed Office of Community Development.**

Community Services provides planning and general management counseling to local governments. To properly coordinate services at the local level, this division should be incorporated within the proposed Office of Community Development, which will have primary responsibility for those functions.

## **Office of Forest Resources**

This office is responsible for development and maintenance of maximum productivity and use of the several natural resources of the state's forests. It is comprised of one division, the Forest Service. This is a line-staff organization with administrative units at the state, regional, district, county, and local levels. Its four branches are Field Projects, District Operations, Forest Engineering, and Forest Regions. The office employs 524 full-time and 548 seasonal



temporary personnel. In fiscal 1973, the Forest Service had a total budget of \$8.3-million, of which \$5.2-million were state, \$1.2-million federal, and \$836,600 county funds, and \$1.2-million was generated through miscellaneous sales. Activities encompass 17.8-million acres of forest land in 94 counties with a resource value of \$6.2-billion.

The Forest Service must maintain a large equipment force in emergency readiness. Efficiency is impaired by lack of a central outfitting, development, and modification shop. There is also some duplication in accounting and property records. The nursery program is having difficulty maintaining low prices on quality seedlings sold for artificial reforestation.

## **RECOMMENDATIONS**

### **42. Eliminate the detailed report on nursery costs prepared by the State Auditor.**

This report entails duplicate accounting and an unjustified degree of detail. It is published 9 months after the fact and becomes historical data rather than a useful control. The report should be replaced by a simplified interoffice accounting system. Savings from elimination of an accounting clerk, a stenographer, part-time clerical wages, and the State Auditor's allocation would be \$25,200 annually.

### **43. Install refrigeration equipment at state nurseries for storing seedlings.**

Present seedling production at the nurseries is predicted from firm orders and anticipated needs. Seedlings must be lifted and sold in a 4-month period during the dormant season. If unfavorable weather conditions deter planting, the state has an excess of seedlings which start growth and must be destroyed.

Refrigeration equipment should be obtained to store 8-million seedlings before they break dormancy. Planting could then be extended by 2 to 3 months, resulting in additional nursery income and increased reforestation. A surcharge should be applied to seedlings sold after March 15 to cover the expense of refrigeration. Equipment cost is estimated at \$50,000. An additional 5-million seedlings could be sold annually at \$7 per thousand for income of \$35,000.

### **44. Grade seedlings at the nurseries, and increase their selling price.**

Presently, ungraded seedlings are being sold at state nurseries. If cull, or worthless, seedlings were graded out at the nursery, the sales package would be more appealing to the buyer. Since site preparation and planting costs approximate \$50 per acre, an increase in seedling cost to protect this investment would be worthwhile. The added cost of grading would be \$0.50 per thousand. The price of

seedlings could be increased by \$1 per thousand. Based on annual sales of 44-million seedlings, increased income of \$22,000 would result.

### **45. Construct a central shop facility.**

The Forest Service is utilizing approximately \$2-million worth of federal surplus equipment, which is consigned to the state at no cost if used for fire control. This equipment must be modified to meet the specialized needs of fire control and site preparation. Although federal equipment provides a considerable savings to the state, initial modification and repair overloads district shops and will result in overall maintenance deficiency. If proper maintenance is not provided, federal consignments will no longer be available.

A central shop facility should be constructed at a cost of \$125,000. This shop would perform maintenance, new equipment modification, and equipment development and design. Personnel would include a design engineer, mechanic supervisor, three mechanics, three mechanic's helpers, and two welders. Added operating costs would be more than offset by savings on equipment costs, modification work now contracted, better maintenance, and the like. Net annual savings would be about \$350,600.

## **Office of Recreation Resources**

This office coordinates statewide recreation planning and administers the state parks and federal lakes programs. It consists of three divisions, with 97 personnel and budgeted expenditures for fiscal 1973 of \$1.86-million. State Parks manages the 18 existing state parks, as well as acquisition and development of planned parks and recreation areas. Total acreage in the system exceeds 47,000, and annual attendance is more than 2.9-million. The Recreation Division provides planning and consultation on community recreation needs. Federal Reservoirs currently consists of the Kerr Reservoir development, a year-round recreational system composed of eight park sites and the lake. Total area exceeds 8,000 acres, and attendance is 1.9-million annually. Receipts from campsite rental, commercial leases, and other sources cover more than one-third of annual operating expenses of \$237,000.

Separate staff and quarters do not exist for the office, and its administrator still functions as Director of the Recreation Division. Overall planning and direction is lacking due to the current organizational structure. One result is a failure of the State Parks Division to establish a positive program for implementing a proposed system of state recreational areas. Alignment of the Recreation Division, principally a community planning and assistance program, results in inefficient delivery of federal funds

to the local level. Likewise, keeping the Kerr development in the Federal Reservoirs Division has hindered planning and management of an overall state parks and recreation system. Also, the name of the office is not indicative of its scope.

## **RECOMMENDATIONS**

### **46. Restructure and rename the office.**

The current organization hampers effective management and development of the parks and recreation system. The staffing directed by the Reorganization Act of 1971 should be completed. The office administrator should relinquish all duties in the Recreation Division and be provided a planning staff. Planning personnel from the existing Recreation and Parks Divisions should be combined at the office level. This action will allow elimination of one position in Parks at an annual saving of \$11,500.

Other recommendations propose transferring the Travel and Promotion Division and North Carolina Zoo to this office. The Recreation Division should be relocated within the proposed Office of Community Development. More effective services and reduction in staff would result. Savings are claimed in another area.

Renaming the State Parks Division as Division of State Parks and Recreation would allow for development of state recreation facilities. This division would absorb the Federal Reservoir programs and also the Parks, Parkway, and Forest Development Commission, which is elsewhere recommended for transfer to this office. One clerical position could then be eliminated at a saving of \$6,300. Reorganizing the state parks' operations and administration section into two regional units, instead of three as planned, would eliminate one supervisor at \$11,500. This could be accomplished by removing administrative functions to the office level, and by managing the more centrally located parks through the central administrative staff.

With the realignment of divisions, the office should be renamed Office of Parks, Recreation, and Tourist Resources. Combined annual savings claimed here would amount to \$29,300.

### **47. Place administration of the Kerr Reservoir under the State Parks Division.**

The State Parks Division has twice declined administrative responsibility for the Kerr Reservoir recreational area, because it did not fulfill the unique natural phenomenon criterion necessary for a state park. Several groups have since indicated the need for development of state recreation areas. The Kerr Reservoir should be used as the nucleus of recreational development under the Parks Division. The

Parks Commission should be restructured to make it more sensitive to recreation. It should include representation from the Kerr Reservoir Development Commission, which could then be abolished.

### **48. Establish a forest management program on state park lands used for recreation purposes.**

Of more than 30,000 wooded acres of state park lands, an estimated 16,000 could be considered part of recreation areas rather than sites of unique natural interest. This type of land could annually yield 0.3 to 0.5 cords of wood per acre without compromising its scenic value. Using the conservative figure and an estimated \$7 per cord, the recreational parks could yield income of \$33,600 annually. The State Parks and Forestry Divisions should develop a comprehensive plan for expansion of facilities and forest management at these parks.

### **49. Increase the rental fee for use of community buildings.**

The two community buildings currently are rented at \$25 per day. Revenues revert to the Kerr Lakes Development Fund to defray costs not covered by appropriations. After a community building has been used, the maintenance staff must divert time from park activities to clean it. By increasing the fee to \$40 per day and designating the additional \$15 for part-time maintenance help, efficiency of the regular staff would be increased and clean-up cost charged to the user.

### **50. Purchase a new surveyor's transit with automatic distance meter for engineering.**

An engineering and survey crew generally consists of three persons. One of the three technicians from this section has been included in a recommended transfer of the planning section. Without him, the assistance of a ranger or the hiring of an additional technician would be needed. Therefore, the section should purchase a new transit with features to automatically measure distances. A two-man crew could then perform most surveying. The one-time cost would be \$8,500.

### **51. Authorize a comprehensive study of the parks and recreation needs of the state, and identify continued operations as either State Parks or State Recreation Areas.**

North Carolina currently ranks 50th among all states on the basis of state park area per citizen. To overcome this, the 1973 legislature has authorized \$9-million for purchase of new state park areas. A review of proposed sites indicates little consideration for recreational needs or concern with truly unique natural features. To improve the entire state parks and recreation situation rather than simply increase the land area available, the following steps should be taken:



- Defer authorized expenditures on new sites for one year, and authorize a study by an independent consultant. This study should identify specific geographic recreational needs, as well as general needs for expansion of the natural area park system.
- Identify Duke Power, Hammocks Beach, Jones Lake, Masonbow, Pettigrew, Singletary Lake, and Wm. B. Unstead Parks as State Recreation Areas. Retain the State Park category for remaining sites with unique natural features. Future sites should be classified and managed accordingly.
- Designate Kerr Lake a State Recreation Area.

No savings are claimed. Consulting costs would be more than offset by postponing expenditures for land acquisition.

## **52. Close Singletary Lake Park.**

This park has operated since 1939 primarily for group camping. It is near Jones Lake State Park and two commercially developed lakes with more water area. Last year, only 6,500 persons used Singletary Lake Park. Because of its limited appeal, the park should be closed. Annual savings would be \$26,000.

## **53. Operate Hammocks Beach State Park with part-time staff.**

Hammocks Beach is only open to the public from June 1 to Labor Day, yet it has a year-round superintendent and ranger. Seasonal personnel should be hired to replace the permanent staff. Savings are estimated at \$11,000 per year. The park would continue to receive routine supervision from the local forest ranger and wildlife officers.

## **Office of Administrative Services**

Under general supervision of the Assistant Secretary for Administration, this unit provides staff support for the department's operating offices in the areas of budgetary control, general accounting, purchasing, property control, personnel, and public relations. It had a staff of 79 and a net operating budget of \$936,000 for fiscal 1973. In addition to the department's executive personnel and immediate staff, its divisions include Fiscal Affairs, Physical Services, Personnel, and Public Affairs.

The staff performs its task of coordinating departmental activities with other state agencies admirably. However, the functions of providing information and assistance required by the operating offices have not been performed satisfactorily. For example, Fiscal Affairs does not provide the detail cost accounting needed for managerial control of operations. As a result, the operating offices must either maintain their own detailed records, or virtually do

without them. Perhaps the major reason for not expanding the information provided is the limited capacity of the office's bookkeeping machines. The fragmentation of the bookkeeping system causes expensive manual preparation of records. It also increases the possibility of duplication of effort and poor utilization of personnel. Inefficiencies also appear in the areas of warehousing and distribution of supplies, operation of the print shop, utilization of graphic arts personnel, and forms processing.

## **RECOMMENDATIONS**

### **54. Provide adequate equipment for the office's staff photographers.**

The office's photography equipment is not adequate. A significant portion of the photographers' time involves taking and processing pictures which cannot be used due to poor quality. Suitable photographic equipment should be purchased, at a cost of approximately \$2,000. Estimated annual savings on purchases of film and repairs would be \$1,100.

### **55. Eliminate the biennial report prepared for the Conservation and Development Department.**

Conservation and Development, a former state department, is still required by statute to prepare a biennial report of operations. This information can be readily obtained from reviewing annual plans of work, annual financial statements, budgeting requests, and similar documents. The report is an unnecessary duplication of labor and should be eliminated. Printing costs for fiscal 1972 were estimated at \$1,700. On an annual basis, savings would amount to about \$900.

### **56. Align the graphic arts and printing sections.**

Current office organization places graphic arts under Public Affairs, while the print shop is in Physical Services. The nature of the work of graphic arts correlates closely with that of printing, and these two sections should be aligned. This action should improve communication between the sections, as well as scheduling, control of work, and interchange of personnel. Although it appears that annual savings would be realized, the amount is not known.

### **57. Combine the positions of supply room clerk and mail room supervisor.**

The present work loads of the supply room clerk and mail room supervisor do not warrant full-time positions. Since the supply room adjoins the mail room, they should be combined into one job. Annual savings of \$5,000 would result.

### **58. Deposit cash receipts daily.**

Most of the departments' receipts are deposited weekly by the cashier, an employee of Fiscal Affairs. The weekly deposit approximates \$100,000. By prompt, daily deposit of receipts, annual cash



requirements could be reduced an average of \$50,000. Savings from improved cash utilization would be \$3,000 yearly.

#### **59. Modernize printing facilities.**

Most of the department's present printing facilities are outdated. New equipment should be acquired to reduce work being contracted to private industry. Manpower requirements would also be decreased by two employees. The estimated cost of equipment needed, net of estimated proceeds from disposition of old equipment, would be \$14,500. Annual savings of about \$20,000 would result, principally from salaries.

#### **60. Eliminate unproductive or duplicate labor.**

Accounting procedures in numerous areas are redundant or unnecessary. Utilization of personnel should be improved by the following steps:

- ▶ Design purchase requisitions to provide sufficient copies and stop reproducing them.
- ▶ Improve bank reconciliation procedure by requesting the State Treasurer or outside banks to provide lists of outstanding checks.
- ▶ Eliminate detail listing of cash receipts on deposit tickets and substitute a machine tape.
- ▶ Mechanize the detail perpetual inventory of property items.
- ▶ Eliminate preparation of separate payrolls for regular, overtime, vacation pay, and the like.
- ▶ Maintain employee records, such as vacation and sick leave status, on automated data processing (ADP) equipment.
- ▶ Simplify internal reporting of partial deliveries.
- ▶ Consolidate all records of capital improvement projects in Administrative Services. If possible, ADP equipment should be utilized.
- ▶ Print addresses of payees on all checks using bookkeeping equipment.
- ▶ Perform monthly billings to counties for cooperative programs on ADP equipment rather than manually.

These changes would improve overall efficiency. Total manpower requirements for the office would also be reduced by approximately two accounting clerks. Net of additional costs for processing the perpetual inventory and bank reconciliation, annual savings of \$15,000 would be generated.

#### **61. Expand the Wildlife Resources warehouse in Raleigh and consolidate all departmental warehousing at the facility.**

Currently, the department's purchasing and warehousing functions are scattered, resulting in an ex-

cessive number of purchase requisitions and unnecessary delays in delivery of many frequently ordered items. These functions should be centralized in an expanded Wildlife Resources warehouse. A small two- or three-part requisition form should be sufficient for withdrawing materials from stock and allocating charges to the correct divisions. Personnel could be reduced by five, saving \$37,700 per year. Transferring the travel and promotion inquiry section back to the Administrative Building and relocating other storage to the central warehouse will permit canceling the lease for a building, saving \$9,600, annually. Proper purchasing and inventory management techniques could defer \$600,000 of the estimated \$2.5-million in annual supplies and materials expenditures for 3 months, thus earning \$9,000 additional interest income. The new central warehouse would also eliminate the need for a planned State Parks Division warehouse, for a one-time cost avoidance of \$18,000. Total annual savings would be \$47,300. One-time cost avoidance, net of \$15,300 implementation costs, would be \$2,700.

#### **62. Utilize data processing equipment for maintaining accounting records and consolidate all accounting functions in Fiscal Affairs.**

The department's present bookkeeping machines are not able to maintain needed detail records. Consequently, there are several cost accounting sections in the department.

These accounting sections should be consolidated into Fiscal Affairs to reduce duplication of effort and improve efficiency. Preparation of payroll records and checks for temporary employees should be performed by ADP equipment. As a result, one administrative officer in Forest Resources would be eliminated. The number of full-time employees performing accounting work could be reduced by approximately 15 clerks and typists. A saving of approximately \$125,000 annually would result. The additional cost to be incurred for use of ADP equipment is estimated at \$25,000 annually. Set-up cost is not expected to exceed \$10,000, and income of \$30,000 is estimated from disposition of the present bookkeeping machines. Net one-time income would thus be \$20,000.

#### **63. Review departmental publications.**

A one-time review of publications issued by the department should be performed by the Assistant Secretary for Administration to ascertain if the benefits obtained by the publications justify their cost. The examination should also encompass reasonableness of number of copies printed, frequency of publication, purging mailing lists, and like matters. Similar reviews should be performed periodically. Although savings would probably result, the amount is not determinable.

# Department of Public Education

This department administers the state's public school and community college systems. Appropriations are made for staffing and operating the public schools; supplying free textbooks, supplies, and materials; operating and replacing school buses; administrative and supervisory services; matching funds for the School Food Service Program; and programs for research and development of new teaching methods. Allocations for community colleges are made for staff, equipment, supplies, and administrative operating costs, while maintenance is provided from local funds.

## CURRENT OPERATIONS

The State Board of Education heads the department. It consists of the Lieutenant Governor, State Treasurer, and 11 members appointed by the Governor for terms of 8 years, subject to confirmation by the General Assembly. Of the appointive members, there is one from each of the eight educational districts and three members-at-large. The Superintendent of Public Instruction is secretary and chief administrative officer.

The board directly supervises the Departments of Public Instruction and Community Colleges as well as the Controller's Office, as illustrated in the chart below. The budget for these three units was about \$15.36-million in fiscal 1973, of which about \$10.6-million was state-funded. There were 892 people employed by the department, with salaries amounting to more than \$9-million.

## EVALUATION

Under the present system, board members can be appointed for more than one term, and no regulation outlines the term of the board chairman. The department functions without an executive officer, and the board works with the Superintendent of Public Instruction, the President of the Community Colleges, and the Controller. All three have equal

status, creating an environment conducive to independent and uncoordinated action. A 1968 report recommended unifying the department into a single agency, with a full-time executive officer responsible for the administration of all aspects of education. However, no action was taken.

## RECOMMENDATIONS

### 1. Reorganize the department.

The present structure has separate departments for public instruction and community colleges, each with overlapping educational and administrative services. This segmented organizational plan leads to frictions between departments and causes waste and duplication.

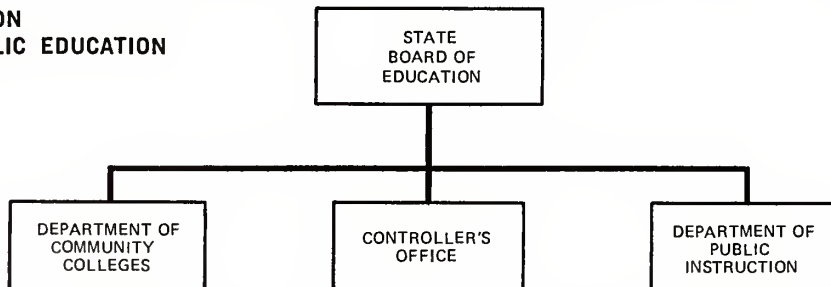
The department should be reorganized, as shown in the chart to the right, to combine all business and financial services into two divisions: Business and Financial Services and Administrative Services. Educational services should also be managed by two divisions, one for kindergarten through twelfth grade and another for community colleges. As recommended elsewhere, a Secretary of Public Education should be established as chief executive of the department. This alignment is considered more efficient from a business standpoint.

### 2. Establish a position of Secretary of Public Education.

The State Board of Education currently meets once a month and has three separate departments reporting to it. Close coordination cannot be maintained under the present system.

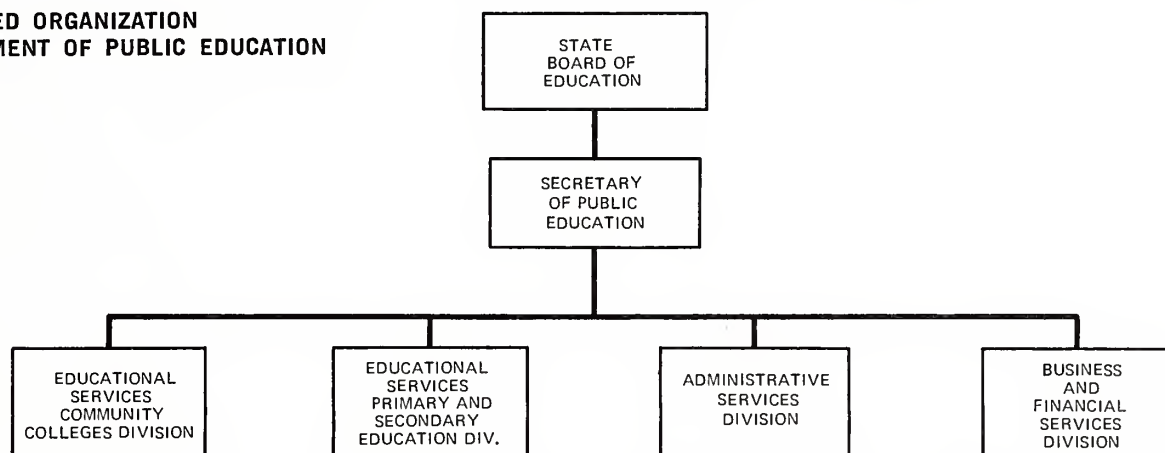
A Secretary of Public Education should be established, with authority for carrying out the policies of the board. The position of State Superintendent of Public Instruction should be removed from the constitution and the statutes. The new secretary should be appointed by and serve at the pleasure of the board with the approval of the Governor. The

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DEPARTMENT OF PUBLIC EDUCATION**



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secretary should have the power to appoint or terminate division heads, with the approval of the board, and to organize the department as he sees fit. The salary for the secretary should be set by the boards, with approval of the Governor and the Advisory Budget Commission. Salaries of the division heads should be set by the secretary with approval of the board, the Governor, and the Advisory Budget Commission. These positions should be excluded from the State Personnel Act.

### **3. Redefine eligibility for membership in the State Board of Education.**

Present appointment policies provide statewide representation and prevent any single administration from appointing a majority of the board. However, conflicts of interest sometimes exist. Eligibility restrictions should be changed to exclude public employees paid by local or state education funds, members of local school boards, trustees of any university, college or technical institution, members of the Board of Governors of Higher Education, members of the General Assembly, and persons involved in private education. Present board members whose situation conflicts with this proposal should be replaced. Membership should be limited to one term, and candidates should not be older than 65 years of age when appointed.

## **Department of Public Instruction**

This department is responsible for administering the public school system. It reports to the State Board of Education and, through its superintendent, manages public education from kindergarten through the twelfth grade.

The superintendent, an elected official, is responsible to the Board of Education for implementing and administering its policies. The department acts

as an advisor and consultant to local education agencies and has only limited regulatory control or authority. Its 1972/73 budget was \$10-million, of which \$6.5-million was state funds and \$3.5-million was federal and other monies. Of the total budget, \$5-million was for salaries. There were 319 professional positions, of which 301 were filled; and 194 nonprofessional jobs, with 176 filled.

The six broad functional areas of the department include Administrative Services, Human Relations and Student Affairs, Personnel Relations and Public Affairs, Research and Development, Program Services, and Special Services. Each area is headed by an assistant superintendent.

The state is divided into eight educational districts, with 100 county and 52 city boards of education and 2,000 public schools. There are 1.2-million students enrolled as well as 57,000 teachers and supervisors. In 1972/73, there were 71,000 high school graduates. A total of \$700-million is distributed to the local school districts, of which \$570-million is state funds and the remainder primarily federal money. Funds are distributed according to the number of schools, superintendents, teachers, pupils, and so on. The local board of education is responsible for managing the public schools in each administrative unit.

Department professionals serve the local school districts on an on-call basis. However, the sizes of the local school districts range from 81,000 students down to 750. This makes it difficult to establish a format of service which is compatible to all.

## **RECOMMENDATIONS**

### **4. Reduce the number of secretarial employees by pooling services.**

Most professionals in the Program Services area travel extensively. This creates natural lags in their



secretaries' work loads. There are currently about two professional positions for each secretary. Pools should be established and at least 20 secretarial positions eliminated. The resulting ratio would be 3:1. This would still allow an administrative assistant for each three or four divisions to answer calls, make appointments, and the like. Annual savings of \$126,000 would be provided.

**5. Authorize the State Board of Education to require merger of local administrative units within counties.**

The state presently provides minimum levels of administrative funds to all existing school units. However, it does not have the authority to merge small units to increase unit size and decrease administrative costs. As a result, state-supported administrative costs per pupil in the 1971/72 school year ranged from \$30.66 down to \$3.12.

Previous studies of public education recommended mergers of small local units to improve quality, and this procedure should be authorized. Savings in state funds for administrative expenses would exceed \$600,000 per year if all city units with an average daily attendance of less than 10,000 were merged and 47 local units were eliminated.

**6. Authorize the State Board of Education to require merger of local administrative units across county lines.**

The proposed merger of small local administrative units within counties would still leave 35 with an average daily attendance of less than 5,000. Of these, 32 have common boundaries. Authority should be obtained to combine them into 18 units to effect savings in state administrative support of \$400,000 per year.

**7. Eliminate all vacant nonprofessional positions from the budget.**

At present, there are 10 vacant nonprofessional positions, and the department is functioning adequately without them. These positions should be eliminated. Annual cost avoidances would total \$63,000.

## **Controller's Office**

The Controller's Office is responsible for allocation of available funds and administration of fiscal affairs of the State Board of Education. Its activities relate to the board's state-level agencies, public school administrative units, and community colleges. The controller is appointed by the State Board of Education. The duties and responsibilities of the office are defined by the state public school laws.

The office operated on a budget of \$2.8-million in fiscal 1973, of which \$2-million was state funds. It

employs 241 with total annual salaries of \$2.2-million. Nine divisions report to the controller:

- ▶ Auditing and Accounting assists in the preparation of the biennial budget, prepares monthly budget reports, and administers all funds appropriated to the Department of Education. It also performs recordkeeping and other functions for 46 fund budgets, 152 administrative school units, and 54 community colleges and technical institutes.
- ▶ Insurance provides fire, lightning, and extended coverage insurance for all public school administrative units, community colleges, and technical institutes.
- ▶ Management Information Systems' primary responsibility is to develop computer systems for use by the Department of Community Colleges, the Controller's Office, and the Department of Public Instruction. It also provides the support necessary for collecting and summarizing data from local school units and community colleges as required by state and federal agencies.
- ▶ Personnel is responsible for all departmental employment matters. Services include supervision of recruiting, administration of the classification and pay plan, as well as preparation of the personnel budget, payroll, and related accounting records.
- ▶ Plant Operations performs several financial, consulting, and instructional functions related to operating plants at the local school level.
- ▶ Agency Services provides a variety of services to the three agencies under the State Board of Education. These include operation of a central supply facility, mail service, unscheduled messenger and courier service, inventory control of office equipment and fixtures, as well as processing purchase orders and requisitions for office supplies and telephone service.
- ▶ Teacher Allotment and General Control annually determines local positions for which state appropriations will be allocated. Since pupil enrollment and attendance are the basis for allocations, the division also audits these records and recordkeeping procedures.
- ▶ Textbooks is responsible for administration of the state textbook program. Activities include purchasing, warehousing, and distributing basal textbooks in all grades and administering state appropriations for high school basal books.
- ▶ Transportation has support responsibility for transportation of all pupils in the state entitled to such services. The school bus systems in-

clude 10,500 units which carry 721,000 pupils daily. The state funds these systems, but administrative and fiscal duties are given to local school boards.

In many cases, the staff appears overqualified for its assigned task. In determining salaries, too much emphasis is placed on individual credentials rather than performance. Acceptance of computer procedures and management involvement are inadequate, and clerical requirements are excessive. In some areas the work load has not kept pace with staff size. Coordination between the state divisions and the local school units is insufficient in the areas of transportation and plant operations. The overall organization segments functions and restricts coordination between departments.

## **RECOMMENDATIONS**

### **8. Reduce the extent of audits of vouchers issued by local units.**

Auditing and Accounting presently verifies the accuracy and accounting distribution of all voucher registers submitted in support of local school unit disbursements. It also reviews all general expense vouchers for compliance with state purchase and contract regulations. These tests do not disclose many significant errors or deviations from policy and regulations.

The extent of the audits should be reduced to 20% of the total. This would eliminate the need for two clerical positions and provide annual savings of \$12,600.

### **9. Automate salary certification records.**

To ensure state-supported teachers are paid in accordance with regulations, the department maintains manual gross earnings records on all teachers. These records should be automated to eliminate the need for six clerical positions and year-end auditing assistance. Systems development and implementation could be performed by the Management Information Systems Division at no additional cost. Annual savings of \$37,800 would result.

### **10. Reorganize Auditing and Accounting and transfer the school food auditors to the field auditing section.**

Auditing and Accounting currently has nine sections, with each section supervisor reporting to the director. The division should be reorganized into five sections: Budget, Public Schools Accounting, Federal Programs, Community Colleges and Occupational Education, as well as Auditing and Field Services. The new structure would improve communications and lines of authority, give more staffing flexibility, and increase the director's available time for administration and planning. The budget officer

presently has extensive manual recordkeeping functions, which would be reduced by another recommendation. He could then assume much of the budget preparation work performed by the director.

### **11. Adopt a standard chart of accounts and uniform procedures for processing agency general expense vouchers.**

Presently, vouchers on each fund are processed by separate clerks, and variations exist between charts of accounts. Decentralization of check preparation does not facilitate uniform procedures and limits coordination and equal assignment of work loads. Therefore, a standard chart of accounts should be adopted. In addition, a central disbursing account should be utilized, and one accounts payable section should be established for preparation of all agency general expense vouchers. Implementation of the proposed budget reporting system together with these suggestions would enable elimination of at least four clerical positions, for annual savings of \$25,200.

### **12. Require public schools to purchase fire and extended coverage insurance through the Public School Insurance Fund in the Division of Insurance.**

Presently, a fund is available to public schools in North Carolina which allows each unit to purchase fire and extended coverage insurance. This insurance is written on an actual cash value basis, with no deductible, and now covers approximately \$700-million in school buildings and contents at an annual premium of \$1-million. Facilities valued at approximately \$650-million are insured through local independent agents, and these units pay more for the same coverage.

Units purchasing fire and extended coverage insurance should be required to buy it through the Insurance Division. However, local units which now carry more coverage than offered by the fund should not be required to switch, since they would not receive identical coverage. On a conservative basis, overall savings on the local level would amount to \$292,500. Although additional personnel would be required to handle the increased work load, the Insurance Division is self-supporting and there would be no additional cost to the state.

### **13. Install a computer terminal in the Management Information Systems area.**

The Management Information Systems (MIS) Division has compiled a complete set of plans and specifications in an effort to acquire a computer. However, the Office of Management Systems must approve any such requisition, and its goal is to ensure state computer needs are met through the use of shared facilities. The office has not approved the MIS request.



MIS personnel currently use the Department of Administration's computer center, but there is considerable dissatisfaction with the service rendered. The time needed to get results from a computer run is variable, averaging about 6 hours. This includes a lag resulting from the pickup service required by the center's location.

A remote terminal should be installed in the MIS area and connected to the Department of Administration computer center or another state computer facility. This procedure would make multiple computer centers accessible by telephone, lighten the manpower requirement at the central computer center, and quell the controversy over acquiring a computer which would cost well over \$100,000 per year. Installation of a terminal would cost about \$12,000 per year. However, increased productivity would enable elimination of two programmer/analysts with combined salaries of \$22,000. Net annual savings would be \$10,000.

**14. Extend automation of the current community college student curriculum statistical reporting system.**

The present student reporting procedure was adopted some years ago for collecting quarterly data concerning the enrollment of community college students. This procedure requires an individual student report in card form to be submitted at the beginning of each quarter. At the end of each quarter, an instructional quarterly report summarizing courses and class information is submitted by teachers. The keypunch volume for capturing data has grown each year. For the 1971/72 school year, 700,000 cards were required.

A project under study would have the schools furnish information through computer tapes, punched cards, or optically scannable reports. Many local schools have the information in computer files; therefore, the change would not be a case of moving keypunching to the schools. Implementation would eliminate seven keypunch operators as well as two statistical aides now involved in manual validation. The initial development and installation cost would be about \$25,000, but subsequent savings would amount to \$52,500 each year. In addition, every effort should be made to eliminate the need for individual student data, as this would greatly simplify the process of allocating funds.

**15. Merge the community college Management Information Division with the controller's Management Information Systems Division.**

The primary duties of the community college group are to control and report student and curriculum statistics. With the proposed improvement of this system, two positions would be eliminated. The en-

tire function should then be combined with the controller's MIS group.

Merger of the statistical groups should be initiated immediately, since there is too much overhead in separate operations. With the addition of one statistician in the MIS area, the community college function could be absorbed and its director, assistant director, and typist positions could be eliminated. Net savings would amount to about \$32,000 annually.

**16. Transfer accounting machine functions to the Management Information Systems Division and adapt these systems to the proposed central computer.**

Auditing and Accounting includes a systems and procedures group which supports applications now being processed by a small computer. This equipment normally operates only one shift per day.

Applications now in existence should be frozen, with only very necessary program modifications allowed. Further, the entire operation should be moved to the MIS Division and the existing systems reprogrammed for processing by the proposed remote job entry facility. Sharing information with other computer applications would eliminate accumulation of duplicate computer files. One-time reprogramming could be accomplished by existing staff at no additional cost. Full implementation would eliminate the need for present equipment at \$16,000 annual rental and the systems and procedures group with seven positions and \$49,000 in annual salaries. Total savings would amount to \$65,000 per year.

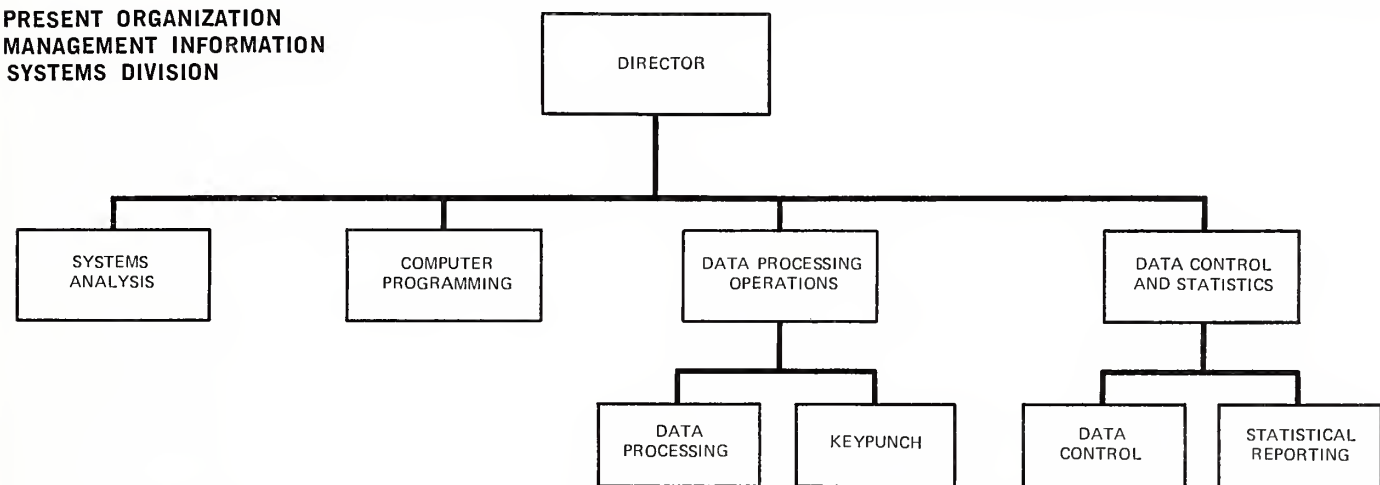
**17. Eliminate the unit record tabulating section within the Management Information System Division.**

The present tabulating section consists of three data processors who report to the operations manager. Its equipment includes two accounting machines, two sorters, an interpreter, a reproducer, a collator, and an optical mark scoring machine. The group's primary function is to sort, match, update, list, and prepare simple reports from punched cards for a variety of jobs external to any computer system. Other duties include courier service to the Administration Computer Center.

With the installation of the proposed remote job entry terminal in the MIS Division, processing should be performed through the central computer. This would allow elimination of at least two employees, for annual savings of \$16,000, plus all tabulating equipment costs. Much of this equipment is owned by the state, and its sale would yield one-time income of \$5,000. One employee will be left to schedule and operate the computer terminal. The



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one-time reprogramming could be accomplished by existing staff at no additional cost.

**18. Reorganize the Management Information Systems Division.**

The current MIS organization, as shown in the chart directly above, involves excessive administrative overhead and does not permit proper communication and control. The director has four managers reporting to him, although the size of the organization does not justify this number.

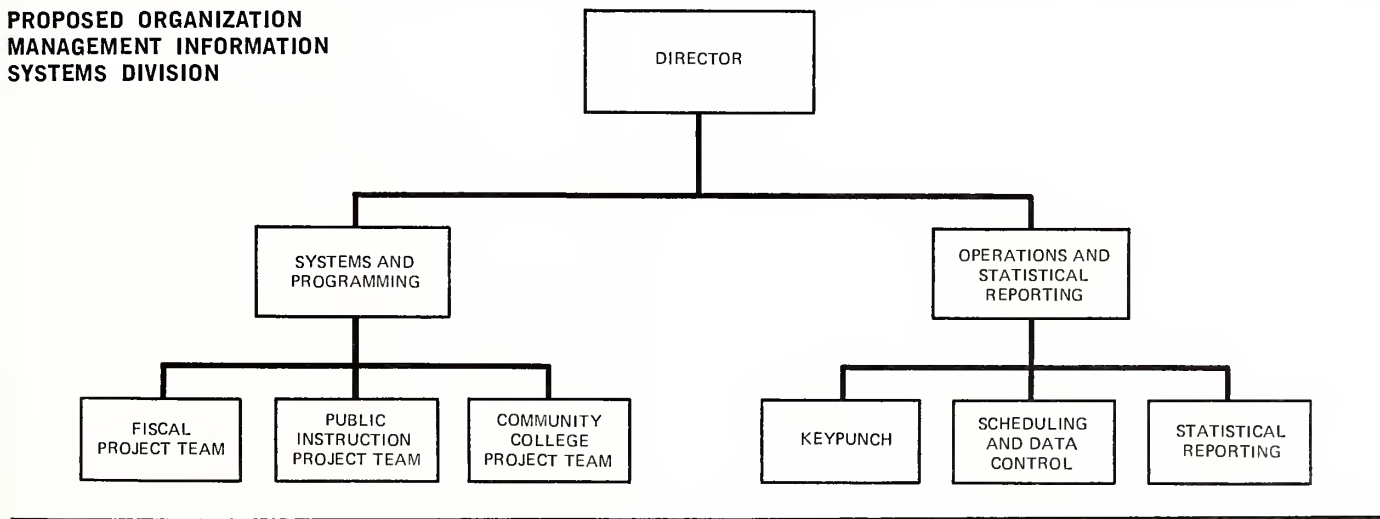
The division should be reorganized using the project teams approach, which is illustrated in the chart below. The responsibilities of the director would remain the same. However, the number of managers would be reduced to two, one for Systems and Programming and another for Operations and Statistical Reporting. The Operations and Statistical Reporting

Manager would be responsible for data control, key-punching activities, statistical reporting for public schools and community colleges, scheduling programs to be processed by a shared computer, and managing the present computer while programs are being converted to the central system.

The Systems and Programming Manager would have authority over both of these integrally related functions. This would help reduce communication breakdowns and lost motion, as well as improve priority setting. In addition, three teams would report to this manager: Fiscal Projects, Public Instruction Projects, and Community College Projects.

The proposed organization should improve productivity, and measurement of individual performance. Savings from elimination of two manager positions would be at least \$39,100 per year.

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**19. Implement a program of periodic employee evaluation.**

The Department of Education does not have a formal program of employee evaluation. Such a program should be initiated to ensure employees are periodically counseled on their performance by their immediate superiors. Reports of performance should be filed to form a basis for personnel or payroll action. An evaluation program would improve employee morale and communications between superiors and employees. It could be administered by present personnel.

**20. Require all school units to follow fuel conservation procedures as directed by Plant Operations.**

Currently, the state allocates 83.5% of the funds used for fuel in the 152 school units. The total amount budgeted in each of the school years 1972/73 and 1973/74 is \$7.3-million. The state's share of this is \$6.1-million, and the balance of \$1.2-million is paid from local funds. The Division of Plant Operations has been working very closely with the school units to encourage voluntary fuel conservation. Some of the schools following recommended procedures are operating completely on state-allocated funds.

Based upon the experience of schools with good fuel conservation practices, it appears possible to heat most units without spending any local funds. Allowing for unusual conditions, expenditures should not consist of more than 5% local funds on a statewide average. This reduction, coupled with an anticipated increase of at least 25% in the oil price, would produce total local savings exceeding \$1.1-million. To realize the maximum savings, heating equipment must be brought up to standard. The total local equipment expenditure required is estimated at \$1.5-million.

**21. Discontinue manual posting of building custodians' wages.**

Every month, the wages paid to each janitor and maid in individual school systems are manually posted to a ledger sheet. Wages are taken from the pay vouchers, which are later filed in Auditing and Accounting. Records of payment are also kept in the school systems. The work is unnecessary and should be discontinued. A full-time position could then be eliminated, for annual savings of \$7,500.

**22. Move four sections currently leasing office space to the state-owned Education Building.**

The community colleges' Equipment and Media Processing Sections are now located in two separate leased buildings at an expense of \$26,500 per year. These buildings are adjacent but several blocks from administrative offices in the Education Building.

When properly reorganized, the two sections should be housed in space vacated by the Office of Archives and History. Renovation and conversion would cost about \$70,000.

Also, the Gifted and Talented Section of the state's Department of Public Instruction leases an office at about \$2,600 annual rent. Space should be provided for this section in Room 25 and an adjacent office on the first floor of the Education Building. In addition, the State Experimentation in Educational Development Section of the Department of Public Instruction should be relocated in the northwest corner of the fourth floor of the Education Building, thus eliminating current annual rent of \$4,900.

Total savings of rental expense would amount to \$34,000. One-time costs of \$76,000 would be incurred for renovation and relocation.

**23. Assign responsibility for all office equipment to one division.**

At present, equipment is assigned to the Department of Public Instruction, Community Colleges, and the Controller's Office as well as to individual budget centers or sections within these departments. As a result, it is difficult to determine quantities actually on hand, utilization, surplus, and cost or quality of maintenance.

All equipment control should be assigned to one division. This division would be responsible for inventory control, standardization of types purchased, coordinated updating as needed, disposal of surplus, and maintenance. Equipment could be transferred between departments for best utilization, and better service contracts could be negotiated. Performance should be audited to ensure equipment is properly serviced.

Sale of surplus equipment would result in one-time income of approximately \$2,500. Consolidated maintenance agreements would provide better equipment service and annual savings of approximately \$10,000.

**24. Realign all duplicating functions under Agency Services and reorganize the division.**

Currently, there is no coordination of duplicating services, copying equipment usage, or related purchasing and mail distribution functions. Several types and makes of copying devices are scattered throughout the department, with many people responsible for control of machines and purchase of related supplies. Some high-speed machines are being used to make multiple copies.

Copying machine selection, placement, maintenance, and usage should be managed by the Agency Services Director. A matrix showing comparative costs should be distributed for use in selecting the

most economical method of copying. The estimated annual savings from using proper control and copying techniques would be \$21,000.

Multilith operations in the Departments of Public Instruction and Community Colleges should also be combined to serve the Department of Education as a whole. Four of the present machines should be set up as two sets of tandem machines so both sides of paper can be printed during one cycle. All multilith machines should be equipped with automatic stencil loaders and unloaders to reduce operator time. Total labor savings from eliminating three positions are estimated at \$16,000. Paper supply savings would be \$2,600 per year. In addition, stencils and mats should be prepared by using the same type equipment as the Department of Administration. Net savings would be \$15,500 per year.

Agency Services should also take over the collating and distribution of all material duplicated. One person using automatic equipment could collate material for the entire Department of Education. A one-time equipment cost of \$13,000 would be incurred, but total labor savings from eliminating five positions would be \$31,500 per year. Some further savings would result from relocating duplicating services in the mail room and having all duplicated material distributed by the mail clerks. All duplicating supplies should then be purchased and stocked by this division to allow better control.

Paper currently being used for duplicating machines is 20-, 24-, and 50-pound stock. Less expensive 16-pound stock would run satisfactorily on any equipment being used and should be the only type purchased. Estimated annual savings of \$6,800 could be achieved in 1973/74, with a 10% increment in each following year.

Agency Services should be reorganized to make better use of existing personnel. The purchasing officer and his secretary should be transferred to another area, where their time could be better utilized. All typing and issuing of purchase orders for the entire department should be done by this division. The present secretary of the duplicating section could maintain all records and billing of duplicating expense, as well as all inventory records on expendable supplies, postage, freight and receiving reports, and the like. This reassignment of work would allow the secretary of the office service supervisor to be transferred to another department. The office service supervisor should be relocated in the mail room. Personnel reductions would provide annual savings of \$29,400.

At present, all outgoing mail to the schools, other than community colleges, is placed in individual

envelopes and mailed separately. Postage is billed to 102 budget subcodes. Elimination of this individual mailing and billing would save \$1,600 per year in labor in Agency Services. Postage should be charged to the Department of Public Education as a whole, and all outgoing mail should be batched by destination. No envelopes would be used except for confidential letters. Materials and postal savings would be \$25,000 annually. Total annual savings would amount to \$149,400. One-time expenses for equipment and relocation would be \$15,000.

#### **25. Automate the primary functions of Teacher Allotment and General Control.**

This division's present staffing of four school principals and a stenographer is improper, as the state is paying too much money. Under present procedures, the three allotment supervisors conduct pupil attendance record seminars, audit local attendance records, and compute allotments for each administrative school unit.

Teacher training in pupil attendance recordkeeping should be accomplished through use of video tapes. The pupil attendance record audit should be a part of the examination made by the Division of Auditing and Accounting. Tentative and actual allotments are based upon statistical information found in a report submitted and certified by each superintendent. These data are now captured in computer files and should serve as the basis for computer calculation of allotments. Other modules of the computerized procedure could determine the monetary value of the allocations, make future projections, and compute the effect of varying circumstances. The computerized procedure could be developed by available staff at no additional expense.

Teacher allotment and control activities do not merit a separate division and should be merged into the Textbook Division. With automation, teacher allotment could be maintained with two employees. Labor cost would thereby be reduced, producing net annual savings of \$50,000.

#### **26. Establish a cut-off date of January 1 for the adoption of basal textbooks.**

The Textbook Commission and the State Board of Education currently adopt textbooks at any time during the year. When books are adopted late in the school year, it is difficult to have them available for the fall term. Therefore, a cut-off date of January 1 should be established.

#### **27. Establish a computer program to maintain inventories of basal textbooks in the state depository and individual school units.**

Currently, the updating of inventory is done manually, with monthly printouts by computer. Heavy



receipts and disbursements during several months require weekly printouts. A computer program should be developed to give current textbook inventory by title, level, and school unit. With this information stored in the computer, printouts could easily be requested at any time. The initial computer program cost is estimated at \$1,000. This should eliminate one clerk, resulting in annual savings of \$6,300 and ensure better use of books.

**28. Remove seven vacant positions from the Textbooks Division payroll.**

Seven positions were vacated with the discontinuance of issuing supplementary textbooks and library books through this division. These positions are still carried on the current budget and payroll and are used within the Controller's Office. However, they should be removed from the Textbooks' payroll. An annual cost avoidance of \$42,200 would result.

**29. Abolish the unit credit balance for elementary supplementary textbooks.**

Supplementary textbooks are no longer handled through the Textbooks Division, and a credit balance of about \$24,467 has been carried forward in special fund code 18816. This money should be transferred to the general fund and the account eliminated. No saving is claimed.

**30. Reduce the special fund equity balance and include anticipated discounts in preparing textbook budgets.**

The fund equity is made up of amounts received from textbook rentals accumulated prior to the present policy of issuing free textbooks, plus discounts from textbook publishers. The balance of \$4.62-million as of July 1, 1972, has no designated purpose. Therefore, the textbook appropriation should be reduced until fund equity is zero. This is expected to take approximately 18 months. In subsequent years, the anticipated discount of \$150,000 per year should be recognized as a receipt in the general fund appropriation and considered an annual saving.

**31. Construct a one-story building for a textbook warehouse and reject the building now under construction.**

The Division of Textbooks leases 27,000 square feet of floor space for receiving, storing, and distributing textbooks. The cost of the lease is \$15,000 per year. In 1965, 1968, and 1970, the Board of Education made a detailed request to the Department of Administration for a state-owned warehouse. The project was finally approved and construction started in early 1973. However, the structure being built has two floors and approximately 100,000 square feet of floor space. The maximum ceiling height is 14 feet with some loss under the support beams.

This type of space is not suitable for automated handling or the use of pallets and fork trucks. It should be rejected by the Department of Education, and the state should find another use for the building. A suitable building of 60,000 square feet area should be erected at a cost of no more than \$420,000. The efficiencies of automated handling could then be accomplished and the textbook work force reduced by six people, for annual savings in salary expenses of \$41,000. The combined savings of \$56,000 annually would pay for the building in less than 8 years.

**32. Convert the manual system of inventory control to data processing.**

Currently, the inventory of school buses and service equipment is manually kept on a card system. This system should be automated. The clerk presently in charge is ready for retirement and should be replaced by a stenographer. By changing staff, annual savings of approximately \$2,000 would be provided. The one-time cost of converting from a manual to a computer system is estimated at \$1,000.

**33. Issue titles of buses directly to local school units.**

When new buses are received from the manufacturer, they are titled to the State Board of Education, then retitled to local school units. The manufacturer's certificate of origin on each vehicle should be assigned directly to the local unit. A conservative estimate of the cost for issuing titles and maintaining records is \$10 each. Since the average number of buses to be replaced each year is 1,000, implementation would provide annual savings to the state of \$10,000.

**34. Study the feasibility of combining state vehicle maintenance shops in each county and transferring ownership of school buses and service vehicles from local school boards to the State Board of Education.**

In most of the 100 counties, several state agencies operate vehicle maintenance shops. Combining shops would provide a more efficient and economical statewide operation. Supervisory personnel could be reduced, and mechanics and other shop employees could be utilized throughout the year. Other benefits would include better control and availability of parts and fewer service vehicles required. Furthermore, ownership of school buses and service vehicles is currently held by the local boards, and the Transportation Division can only give assistance on request. Some units operate efficiently, while others neglect maintenance and cost control. State ownership of buses and combining maintenance shops could alleviate this problem. The feasibility of both actions should be given thorough study.

## Department of Community Colleges

This department administers a system of 56 community colleges and technical institutes which offers occupational, college transfer, and cultural education through the 2-year college level. The department, under the Department of Public Education, is responsible to the State Board of Education.

The chief administrative officer is the president, who is appointed by the State Board of Education. The department occupies three buildings in Raleigh, with main offices in the Education Building. As of March 1973, it had 158 full-time and 16 temporary employees. Its fiscal 1973 budget was \$2.46-million, of which approximately \$364,100 was federally funded and over \$2.09-million was state money. Of the total budget, \$1.8-million was allocated for salaries. Approximately \$1.6-million was from state funds and about \$178,600 was from federal funds.

The department includes six divisions, each headed by a dean. Under the Vice President for Administrative Services are Planning and Coordination, Information and Publications, and Business Affairs. Reporting to the Vice President for Educational Services are Degree and Diploma Programs, Student Personnel and Program Resources, as well as Continuing Education Programs.

Though doing a good job, the department is overstaffed, especially in top management. Also, there are far too many secretarial positions for the number of supervisory and professional personnel. Job descriptions for a number of positions call for either a master's or doctor's degree, but the duties and responsibilities for most of these positions do not justify this high level of education. Further, there is a considerable amount of duplication of work performed within the department, mostly in accounting and recordkeeping functions.

### RECOMMENDATIONS

#### **35. Eliminate invoicing and all other accounting functions in the Media Processing Section of Business Affairs.**

This invoicing unit is currently performing several posting and filing operations as well as numerous related tasks. The Controller's Office is responsible for the department's accounting and is basically performing the same functions and maintaining the same files.

Therefore, the redundant invoicing work section should be eliminated. A reduction of five clerks could then be achieved for annual savings of \$31,500. Also, the leasing of a copy machine used mainly to support the accounting recordkeeping could be discontinued to conserve \$1,500 per year. Total annual savings to be derived from implementation would be about \$33,000.

#### **36. Include funds for non-book library material other than equipment in the library book budget.**

Currently, non-book library material such as audio-visual aids may be purchased from either the equipment or book budget of an institution. Funds for purchase of non-book library acquisitions other than equipment should be included in the book budget. All requisitions would then go directly to Media Processing, thereby reducing paperwork and also much of the delay in placing the order.

#### **37. Discontinue preparing accession lists and keeping book inventory records in Media Processing.**

Media Processing currently types accession lists for each institution. A copy of each is then filed for the purpose of maintaining an inventory of the books in each institution and preparing statistical reports of the number of books processed. However, the records are not used to inventory the books, and statistical information is available from other sources. Each institutional library could prepare the accession lists upon receipt of books without requiring additional personnel.

Therefore, this function should be discontinued in Media Processing. One step in the book processing cycle would thereby be eliminated, allowing a reduction of one clerk and an annual saving of \$6,300.

#### **38. Eliminate the Equipment Section of Business Affairs.**

This Equipment Section currently acts as a middleman in the purchase and disposal of equipment by an institution. It also audits each institution's equipment inventory records to ensure compliance with standards.

The middleman function is not necessary and results in duplicate recordkeeping as well as delay in the purchase of equipment and payment of invoices. By allowing each institution to complete the state requisition, the Equipment Section could be bypassed completely. The institutions could manage disposal on their own, in accordance with established regulations. Maintenance of duplicate detail inventory records is also unnecessary.

The Equipment Section should be eliminated, along with its five professional and six clerical positions. Annual savings of about \$123,600 would result.

#### **39. Phase out the Planning and Coordination, Information and Publications, and Degree and Diploma Programs Divisions.**

Functions performed by these units are important, but they do not justify the existence of small, separate divisions. Those under Planning and Coordi-



nation as well as Information and Publications should be reassigned to the Business Affairs Division. Degree and Diploma Programs should be merged into Student Personnel and Program Resources. The staff sizes of all divisions would then be approximately the same. By phasing out these three divisions, three deans and three secretarial positions could be eliminated and annual savings of \$73,000 realized.

**40. Eliminate the positions of Vice President for Administrative Services and Vice President for Educational Services as well as the secretarial position assigned to each.**

Currently, these two vice presidents can only be partially justified by the three deans reporting to each. In actuality, the deans get most of their assignments and direction from the president or, in his absence, the Vice President for Department Services. The roles of these two vice presidents are nebulous and do not justify the positions. In addition,

another recommendation calls for eliminating three deans.

Therefore, the Vice President for Administrative Services and Vice President for Educational Services should be eliminated, along with their secretarial positions. Implementation would result in annual savings of \$56,000.

**41. Remove 11 secretarial positions from the divisions under Educational Services.**

Currently, the ratio of professionals to secretaries is 1.6 to 1 in the three divisions under Educational Services. Many of the professionals travel and are frequently out of the office, leaving the secretaries with free time.

Pooling techniques should be initiated and the secretarial positions reduced by 11. This would make the ratio 3 to 1, which would still be more than adequate for the volume of work. Annual savings of \$69,300 would result.

## The University of North Carolina

On October 30, 1971, a special session of the General Assembly directed the merger of 16 state-supported institutions of higher learning into one university. These included Appalachian State University, East Carolina University, Elizabeth City State University, Fayetteville State University, North Carolina Agricultural and Technical State University, North Carolina Central University, North Carolina School of the Arts, North Carolina State University at Raleigh, Pembroke State University, University of North Carolina at Asheville, University of North Carolina at Chapel Hill, University of North Carolina at Charlotte, University of North Carolina at Greensboro, University of North Carolina at Wilmington, Western Carolina University, and Winston-Salem State University. Also incorporated into the university was the North Carolina Memorial Hospital.

### CURRENT OPERATIONS

The Board of Governors consists of 32 members elected by the General Assembly and is responsible for governance of the constituent institutions. However, each institution has a local board of trustees with 13 members. Eight of these are appointed by the Board of Governors, four by the Governor, and one is the elected president of the student body. Each institution has its own faculty and student body, and each is headed by a chancellor. The chancellors of the constituent institutions are responsible to the President of The University of

North Carolina, its chief administrative and executive officer.

The president's immediate staff consists of a secretary to the university and several assistants. The secretary is responsible for liaison with the Board of Governors, the 16 university boards of trustees, and the Board of Directors of the North Carolina Memorial Hospital. The assistants' responsibilities include university legal affairs, performance of presidential functions not delegated to specific areas, execution of assigned special projects, and supplementing the work of other officials. The president's total general administration staff consists of 71 positions divided into the following major offices, each headed by a vice president:

- ▶ Finance is responsible for all matters related to fiscal affairs, especially preparation of the budget and execution of the approved budget. It also provides physical facilities and administers physical properties.
- ▶ Planning collects and disseminates information gained through institutional research, conducts studies for space utilization, and prepares long-range planning reports.
- ▶ Research and Public Service develops and executes policies covering research, extension, and continuing education. This office also operates the educational television network.



- Academic Affairs executes all policies related to degree programs and evaluates their effectiveness. It participates in setting enrollment levels of the constituent institutions and makes recommendations on library development and advancement of academic personnel.
- Student Services and Special Programs coordinates student programs and advises on admission policies. It maintains liaison with the State Board of Education, the Department of Public Instruction, and the public schools. It also recommends licensing of private institutions of higher education.

## EVALUATION

Although the President's Office has been in operation for only a short period of time, the university has already begun to benefit from this unified function, particularly in the area of admissions control. Progress towards making the office completely operational has been hampered by the complex budgetary procedure, which requires the president and his staff to make many appearances before the legislature.

Unified administration offers an excellent opportunity to develop and promulgate standardized policies on budget, accounting, and personnel. Several areas in which central coordination has not yet been achieved are internal auditing, long-range planning, electronic data processing, dormitory construction and occupancy policies, and academic calendars.

## RECOMMENDATIONS

### 1. Revise the budgetary process and implement program budgeting.

The present budgetary process is extremely time-consuming and inconsistent. Each university begins to prepare requests a year ahead of the biennium. After approval by the Board of Governors, the Advisory Budget Commission, three subcommittees of the Joint Appropriations Committee, and the combined committee each separately examine the budget before making any recommendation to the legislature. Base budgets are certified in detailed line-item, departmental amounts. Transfers from one line to another require approval by the Department of Administration. The inflexibility inherent in the base budget system often results in funds being spent ineffectively. Line-item controls hinder measurement of program accomplishments.

The budgetary process should be revised. Budgets should be evaluated, approved, and controlled in accordance with current program objectives rather than the previous year's expenditures. A zero-base program budgeting concept should be used. Pro-

grams should be planned in 5-year increments, and budgeted amounts should be developed in terms of requirements for each year. The program budgets should have broad natural expense classifications, but flexibility should be allowed. Controls should emphasize total program costs and effectiveness rather than line-item expenditures. Revisions during the second through fifth year should be on an exception basis only.

Continuity of the budgetary process from preparation to approval should also be improved. An in-depth evaluation should be made of legislative review procedures to eliminate duplication.

Savings cannot be estimated. However, implementation would improve flexibility and efficiency in budget control and assignment of priorities, as well as establish a viable system for annual legislative approval.

### 2. Require systematic operational planning by each university.

Several universities have formal, long-range plans, but many have only an informal planning structure. Lack of uniform, comprehensive operational plans for all universities results in unnecessary duplication of programs, poor facilities planning, inefficient staffing, and inadequate operating procedures.

Comprehensive operational plans should be developed by each institution within the context of long-range plans of the university. Content and format should be established by the president. Formal planning should cover a 10-year period, with evaluations and revisions made at least every 5 years. Savings cannot be estimated. However, systematic planning should significantly improve utilization of tax dollars.

### 3. Study dormitory needs and incorporate findings into the current operational plans of each university.

Dormitory problems vary widely. While several growing universities are building dormitories, others are closing them because of stabilized or decreasing enrollment or overbuilding. Facilities now being constructed are financed with 35-year revenue bonds, but some are not occupied long enough to retire these bonds.

The present general restraint on further dormitory construction should be continued. An evaluation should determine the number and type of dwellings needed by each university, and whether older dormitories could be renovated. This review should also decide if academic programs at a university with excess dormitory space could be revised to attract more students. Construction of dwellings with 15- or 20-year financing and life span should be

considered, since these could be replaced after the bonds are retired with buildings more appealing to students. Findings should be incorporated in the plans of each university to increase dormitory occupancy and avoid state subsidy or bond default.

**4. Employ a physical facilities coordinator to maintain liaison with the universities on construction and renovation.**

Delays in the construction of major facilities have resulted from lack of coordination between architects and contractors. Because a thorough review of blueprints and specifications is not always made, buildings constructed have not served their functional intent. The Vice President for Finance is responsible to the president for the provision and administration of physical facilities, but he has no staff trained for this function.

A physical facilities coordinator with a salary of \$20,000 per year should be added to the staff of the Vice President for Finance. This position should:

- ▶ Assign priorities to construction and renovation projects within priority groups established by the Board of Governors.
- ▶ Review specifications and engineering drawings prior to letting bids to ensure a project will serve its functional intent as well as complement the campus architectural theme. The architect and contractor should be accountable for errors.
- ▶ Visit construction sites as frequently as possible, inspect for compliance with specifications, and report delays so they can be resolved quickly.

Although savings cannot be accurately estimated, they should be sizable. Additional expenses in the form of office equipment, a secretary, and travel would be incurred.

**5. Develop building codes which allow greater flexibility in construction.**

Current codes require most buildings to have a 35-year life. However, rapid changes in functional requirements for residences, cafeterias, and classrooms have made many structures unattractive to students. This has resulted in reduced occupancy and income.

More flexible building codes should be developed to allow buildings to serve a realistic, 15- to 20-year life span. The universities should be encouraged to design buildings which could be put to alternative use with a minimum of renovation. Flexibility should be broad enough to better utilize construction money while maintaining campus architectural

themes. The new code should increase dormitory occupancy, reduce investments in buildings, and improve service building utilization.

**6. Establish a systems department to design and assist in implementing a management information system.**

The universities' accounting systems are separate and diverse. Accounting methods vary and reports are not uniform in content, frequency or format. Duplications are also evident. Computerized management information systems are being developed by many of the institutions, but approaches vary and outputs will not be comparable.

Responsibility for designing a uniform management information system has been given to the Vice President for Finance. However, present staffing is not adequate to undertake the project. A systems department, under his direction, should be established to design and assist in implementing a uniform, university-wide management information system. This system should include a uniform chart of accounts, consistent accounting methods, long-range systems and computer plans, procedures and policies manuals, standardized report formats, as well as description and calculation of non-accounting statistical data. Automated data processing should be utilized through integrated, modular programs.

Implementation would eliminate duplications, provide more timely and accurate information, and generate comparable data. Computerization would increase efficiency, allow clerical cost reductions, and provide additional statistical data. The department should help the universities implement systems, establish documentation standards, and share programs. Personnel would include a senior systems analyst and three analyst/programmers, with combined salaries of about \$50,000 annually.

**7. Establish a data processing planning committee and evaluate centralization of functions and equipment.**

Automated data processing (ADP) budgeted costs for fiscal 1973 exceeded \$5-million. Except for the School of the Arts, all universities have at least one computer or terminal and several have multi-computer systems. Capabilities generally exceed present requirements. Some universities have long-range computer and systems plans, but most do not.

A systems director should supervise development of management information systems and data processing. A university-wide ADP Advisory Committee should also be established. The committee should provide guidance on:

- ▶ Individual university's long-range plans for ADP development.



- ▶ University-wide long-range plans for data processing applications.
- ▶ Overall systems priorities.
- ▶ Systems department operations.
- ▶ Acquisition of computing equipment.
- ▶ Adequacy of manual and automated accounting systems.
- ▶ Coordination with the Office of Management Systems to avoid overlaps.

Proper direction from the ADP Planning Committee could eliminate parallel and redundant systems, yielding annual savings of \$370,000 through elimination of about 40 personnel. Centralization of academic and administrative applications as well as equipment should also be considered.

#### **8. Implement a comprehensive manpower development program.**

Although the 16 universities have more than 12,000 employees covered by the State Personnel Act, little effort is expended on management development and training. A manpower development program should be implemented, and its manager should report directly to a vice president. The program should determine training objectives, identify employees with management potential, project needs for the next 5 years, provide for retraining, develop candidate lists for openings in upper salary grades, and design trainee positions to meet specific needs. This program would cost about \$30,000 per year, but indeterminate savings would be realized through more effective management development.

#### **9. Coordinate and expand internal auditing at the universities.**

The functions and staffing of the universities' internal audit departments vary widely, and many perform tasks unrelated to independent internal auditing. The internal auditor usually reports directly to a Vice Chancellor for Finance and Business Affairs.

The primary duty of internal audit personnel should be to ensure compliance with university and state accounting and operating policies. They should assist in developing procedures and identify troublesome areas before they become major problems. Duties should be performed systematically and independently. Effectiveness should be maximized by centrally coordinating the universities' internal audit departments. These departments should remain at each university, function independently, and report to a position independent of financial operations. Developing an internal audit program for each university would require additional staffing, but these costs should be offset by improved control.

#### **10. Implement safety and fire prevention programs at the universities.**

All of the universities' safety and fire prevention programs are inadequate in certain areas. These failings endanger the safety of personnel and students. On July 1, 1973, the universities were required to comply with the Occupational Safety and Health Act. As of April 1973, however, no guidance had been given to them.

A team should be sent to each campus to study the existing situation, conduct classes, assist in estimating the budget requirements to correct deficiencies, and set up priorities. The team should also inspect for fire hazards and help establish fire prevention programs. Personnel costs would be incurred, but these are currently undeterminable.

#### **11. Conduct a university-wide study and annual seminars on overhead rates.**

Most universities receive federal overhead reimbursements from teaching and research grants. The amount is based upon rates established by special study. Regulations are complicated and offer alternative ways of computation. At several universities, the overhead rate studies have not been properly done because of a failure to use alternative calculations to maximize reimbursements.

A university-wide study should be performed to develop uniform standards for calculating overhead rates. An annual seminar on performing rate studies should then be conducted to ensure maximizing overhead reimbursements.

#### **12. Review consulting service requests to utilize university specialists to the extent possible.**

Many universities have used consulting firms for systems review, bookstore operations, and administrative planning. While most consulting requests are for specialized areas in which the university does not have expertise, some university personnel can perform certain advisory work or liaison with outside consultants.

The universities should inventory their personnel specialties. All consulting requests should then be centrally reviewed and university specialists used to the extent possible. Indeterminate savings would result.

#### **13. Develop a personnel payroll system for the use of each institution.**

Currently, six universities process their own payrolls, and the others forward data to the Office of the Budget for processing. Universities which process their own payroll utilize extremely segmented procedures involving manual, card tabulating, and computerized systems. In addition, present systems for personnel and payroll are separate. A comprehen-



sive model personnel payroll systems should be developed for use by each institution.

#### 14. Implement standards for physical plant maintenance and housekeeping operations.

Physical plant maintenance and housekeeping operations are presently characterized by various inefficiencies resulting from a lack of time, procedure, and quality standards. Therefore, a program should be implemented which would establish time and motion guidelines for all repetitive operation, develop schedules and quality standards for each, communicate these schedules and standards to employees, and measure performance. Uniform work methods should be established, and personnel should be trained to use them.

This program should be cooperatively developed by physical plant directors throughout the university system. Costs would then be held to a minimum and would not be significant. This program would create a conservatively estimated 2% efficiency increase. Based on a total manpower expenditure of \$14-million, a net saving of \$280,000 annually should be realized through elimination of 45 positions.

### The Universities

The University of North Carolina includes 16 institutions of varying sizes. Pertinent data on enrollment, number of employees, and the like is shown in the table below.

Each university has a 13-member Board of Trustees and is administered by a chancellor. In practice, the chancellor formally delegates much of his responsibility and authority to the administrative officers of the university.

The administration of the financial and business affairs of the university is delegated to a Vice Chancellor for Finance and Business Affairs. The responsibilities of this vice chancellor generally include the functions of budgets and accounting, personnel, purchasing and stores, physical plant, security and traffic, and auxiliary services. Data processing, which is involved in varying degrees in the functions of finance and business affairs, generally reports to an academic dean or elsewhere.

Historically, budgets for appropriations of state funds were prepared on a biennial basis under direction of the Vice Chancellor of Finance and Business Affairs. In the future, these budgets will be prepared annually. Budget estimates are prepared on a departmental base and are consolidated under university budgets which are submitted to the president's office for submission to the General Assembly. Upon approval, they are monitored on a monthly basis to ensure budgeted amounts are not exceeded. Accounting is directed by a controller. The typical university personnel department has five major areas of activity: position classification and compensation, employment, employee benefit administration, personnel records, and employee rela-

COMPARATIVE INFORMATION OF THE INSTITUTIONS OF THE CONSOLIDATED UNIVERSITY OF NORTH CAROLINA  
FISCAL 1972\*

INSTITUTION	AVERAGE ENROLLMENT REGULAR SESSION	FULL-TIME EQUIVALENT TEACHING POSITIONS	AVERAGE NUMBER OF EMPLOYEES	COST/CAPITA/ANNUM REG. SESS. (EQUATED)		BUDGETED EXPENDITURES		
				ALL SOURCES	STATE APPROP.	ESTIMATED RECEIPTS	STATE APPROP.	TOTAL REQUIRE.
Appalachian State University	6,702	391	1,099	\$1,517	\$1,043	\$ 8,121,024	\$ 7,118,304	\$ 15,239,328
East Carolina University	9,092	577	1,556	1,719	1,205	8,219,001	11,236,356	19,455,357
Elizabeth City State University	1,052	74	257	2,292	1,743	1,788,992	1,838,977	3,627,969
Fayetteville State University	1,415	93	242	1,757	1,330	1,433,387	1,921,573	3,354,960
North Carolina Agricultural and Technical State University	3,968	240	790	1,840	1,228	5,622,349	4,951,510	10,573,859
North Carolina Central University	3,523	230	665	1,774	1,309	4,393,179	4,647,324	9,040,503
North Carolina School of the Arts	560	62	158	3,103	2,240	1,125,570	1,341,683	2,467,253
North Carolina State University at Raleigh	11,287	778	4,474**	2,712	1,908	23,236,467**	36,131,309**	59,367,776**
Pembroke State University	1,860	119	297	1,448	1,106	1,598,070	2,106,226	3,704,296
University of North Carolina at Asheville	932	64	166	2,151	1,710	901,455	1,592,513	2,493,968
The University of North Carolina at Chapel Hill	15,122	1,048	3,587	2,304	1,636	36,950,316	26,129,812	63,080,128
University of North Carolina at Charlotte	3,970	256	611	1,700	1,286	3,041,246	5,379,522	8,420,768
University of North Carolina at Greensboro	6,075	448	1,153	2,081	1,493	7,669,794	9,262,377	16,932,171
University of North Carolina at Wilmington	1,777	112	274	1,758	1,247	1,376,555	2,279,559	3,656,114
Western Carolina University	4,751	314	862	1,700	1,214	6,383,764	5,915,602	12,299,366
Winston-Salem State University	1,437	101	271	1,989	1,522	1,566,473	2,201,389	3,767,862
North Carolina Memorial Hospital			904			2,893,117	13,614,460	16,507,577
Total			17,366			\$116,320,759	\$137,668,496	\$253,989,255

\*Source: The Budget, Volume I, Base Budget Recommendations 1973-75.

\*\*Includes agriculture experimental stations and extension services.

tions. The department deals almost exclusively with employees subject to the State Personnel Act (SPA).

Acquisition and disposition of supplies, materials, and equipment is accomplished through a purchasing and stores department. Each purchasing organization follows policies set forth by the Office of Purchase and Contract.

The physical plant department is essentially responsible for all work involving buildings, grounds, and associated equipment. Its functions include planning and overseeing major construction; performing minor renovations and constructions; maintaining buildings, equipment, and grounds; removing trash and snow; providing intra-campus moving service; and providing heat, water, and power services.

The security department protects students, university employees, visitors, as well as the physical plant and grounds from physical harm or other unlawful acts. A campus police chief reports to the security manager and is responsible for day-to-day operation of the police department. The traffic department registers employee and student vehicles. In addition, it oversees maintenance and planning of parking areas.

Auxiliary services on the various campuses include the student bookstores, laundry services, food service, health service, student housing, various types of rental property, and a variety of other enterprises. Some are operated as non-profit services, while others are profit-generating. Income from these operations is generally earmarked for specific programs such as scholarships or library support.

The administrative organization of the universities seems well structured, although reorganization in several cases may improve effectiveness. Uniformity in accounting systems and methods is lacking, and automation is insufficient. Personnel problems exist at most of the universities. While some of these difficulties are related to the state personnel system, others could be dealt with by the institutions themselves. The purchasing departments operate efficiently, although at several universities control weaknesses exist in central receiving and accounting for equipment and supplies. Physical plant operations are deficient in job training programs, labor standards, and preventive maintenance. Safety programs are inadequate and most universities have parking and traffic problems. The number of capable security personnel is limited. Auxiliary services are generally adequate and well managed.

The following recommendations are generally applicable to most of the institutions. Each chancellor should identify those applicable to his institution and develop courses of action to implement them. Recommendations regarding specific institutions are made in separate sections of this report.

## RECOMMENDATIONS

### **15. Eliminate funded SPA positions vacant more than 90 days.**

As of May 1973, 142 university positions had been vacant since January 1, 1973. Of these, 20% had been open between 1 and 2 years, and another 20% had not been filled for over 2 years.

These 142 positions should be eliminated, since they appear unnecessary. Job vacancies should be reviewed monthly, and those open for 90 days should be automatically eliminated. Canceled jobs could be reestablished, if necessary, by following the procedure used to justify new positions. Elimination of these funded SPA positions would provide a cost avoidance of \$1.09-million per year.

### **16. Develop a more precise definition of exemptions from the State Personnel Act.**

Due to lack of a precise definition, a number of administrative employees are treated as if exempt from the State Personnel Act (SPA) although they are not primarily engaged in teaching or research. In many cases, these employees are performing duties that would generally be considered SPA and are compensated at higher than SPA levels. A more precise definition regarding EPA positions should be developed and rigidly enforced.

### **17. Upgrade the standards of security officer positions.**

Inadequate salaries, few promotional opportunities, and lack of training hamper recruiting of capable security personnel. The present classification denotes general watchman duties and is not consistent with actual job requirements. Specifications, descriptions, and pay should be revised to upgrade the officers' positions and reflect their greater responsibilities. The upgrading would improve morale, decrease turnover, and enable the service to employ higher caliber personnel.

### **18. Utilize audio-visual presentations for employee orientation.**

Because of high turnover in maintenance, custodial, and clerical personnel, the universities hire many new employees. Thus, demands upon personnel departments for orientation are substantial. Currently, all the universities conduct training sessions by oral, face-to-face presentations and make little use of visual aids. The scope of these sessions varies widely, and there is much inconsistency.

Audio-visual departments of the universities should prepare slide-tape orientation programs. These programs could be presented as needed by clerical personnel, thus minimizing scheduling problems and improving quality and consistency. The estimated one-time cost of equipment and production would be \$12,000.



**19. Evaluate sale and rental of textbooks to undergraduate students.**

Most state universities require undergraduate students to purchase textbooks. Four have rental systems which also allow students to purchase books. Purchase of textbooks requires a net annual expenditure of \$60 per student and rental entails a net expense of \$36 per year. With 90,000 state students, the difference represents \$2.2-million in potential savings to students and deserves consideration, particularly in light of increasing tuition, fees, and rising textbook prices. An evaluation should be made to determine which plan best serves the balanced interests of students and the universities.

**20. Develop general policies and procedures manuals for academic and administrative offices.**

Documentation of policies, practices, and procedures is lacking in most academic and administrative offices. This results in misunderstanding and lack of uniformity in applying policies.

Each of the central administrative offices should issue manuals covering their areas of responsibility, using loose-leaf binders to provide for frequent updating and revision. The deans of the various schools should issue similar manuals. While no savings can be estimated, implementation would help standardize departmental operations, improve personnel efficiency, and formally define responsibilities.

**21. Develop computerized inventory control for all movable property with a value of \$150 or more.**

The universities own thousands of pieces of movable property, such as furniture, typewriters, copying and duplicating equipment, and the like. However, there is little formal control, resulting in misappropriation, poor utilization, and accumulation of surplus.

A system should be developed which identifies all incoming equipment with a value of \$150 or more. It should assign responsibility by department, require audits to avoid losses, and demand prompt repairs, exchange, and disposal of surplus.

The one-time cost of implementation is estimated at \$90,000. Annual operating costs would be about \$16,000. Estimated one-time income and service contract savings from disposing of current surplus equipment would be \$235,000. Annual income thereafter from the sale of surplus and timely exchange would approximate \$50,000.

**22. Develop and enforce security standards for data processing centers.**

Guidelines and standards for overall physical and file security at the data processing centers are inconsistent and generally inadequate. To prevent

equipment and data losses, security standards should be developed which would provide physical security: smoke, fire, and intrusion detection; proper placement of electric power; secure tape libraries; backup files of critical programs and data; as well as input and output security to prevent unauthorized use. The costs of establishing these standards would vary. For this reason, they have not been claimed.

**23. Establish data processing documentation standards.**

Standards for programming and documentation are generally inadequate among the universities. A standard programming language for business applications has not been established, and analysis of equipment utilization has not been made. Since use of data processing and inter-university reporting is increasing, uniform programming, documentation, and maintenance standards should be instituted on a university-wide basis. A system of equipment utilization reporting should also be instituted. Costs have not been computed, but they should be offset by increased control.

**24. Utilize compact trucks for some intra-campus service.**

The physical plant departments of the university system now have approximately 400 medium-size and large pickup trucks. Most of these transport a few persons and a small amount of material and tools. Significant reduction in the number of trucks is not advisable, because of the large number of physical plant personnel who require transportation. However, utilization of compact-size pickups in about 50% of present assignments is feasible and should be implemented. These vehicles are fully capable of carrying the needed material and personnel, and their small size would be a definite advantage in driving and parking on the crowded campuses. Savings would result from a \$250 decrease in purchase price, an improvement of 5 miles per gallon in fuel consumption, and lower maintenance costs. Assuming 50% of the trucks would be compact, and these introduced over a 5-year period, combined annual savings would be \$25,000.

**25. Increase university transcript fees to a uniform rate of \$3 each.**

Transcript charges at the different state universities vary, but the traditional \$1 fee is prevalent. Present fees do not cover the increasing cost of the service.

A university-wide fee of \$3 should be adopted, with a reduced rate of \$1 each for subsequent copies in a multiple-copy order. This fee would be comparable to charges by other states and would create a uniform, self-supporting transcript operation. Additional annual revenue of approximately \$190,000 would be generated.



## **26. Study the feasibility of quick-copy centers.**

Copy service on each campus is generally provided by either a central print shop or small, desk-top copying and duplicating machines in each office or department. In addition, each campus has varying numbers of photocopy machines. These satellite facilities represent a major cost item.

Each university should review its copying expenses. The study should consider costs of stencils and other masters, inks and fluids, rental for copy machines, and service and maintenance contracts, as well as the salvage value of machines. These data should be compared with the costs of a centralized quick-copy center.

Automatic offset presses for quick-copy centers range in price from \$12,000 to \$25,000. This equipment can produce masters at \$0.04 each and generally triple output. Analysis indicates two small universities would realize \$10,000 each in annual savings by establishing such centers. Thorough study of expenses at each university would produce additional savings.

## **27. Improve control of vending machine contracts and service.**

The negotiation and control of vending machine contracts on the various campuses is generally inadequate. As a result, the university system is losing income.

The Vice Chancellor for Finance and Business Affairs at each university should designate an individual to coordinate operations, negotiate contracts with vendors, and supervise performance. Each institution should perform an economic analysis to determine the feasibility of owning and operating its own machines. Guidelines for contract negotiations should be established to ensure an equitable return.

In addition, assistance should be obtained from the Office of Purchase and Contract to determine the proper format and wording of contracts. Rate of return, type of equipment, service criteria, accounting method, and character of personnel should be specified. Based on a survey, estimated increased income of \$10,000 could be realized by one institution and indeterminable income would accrue to the others.

## **28. Implement equitable automobile registration fees.**

Revenue from automobile registration fees to students, faculty, and staff is used to maintain and improve on-campus traffic and parking facilities. Although university employees are permitted to park on campus, their registration fee is sometimes less than the charge to students. In these cases, students are bearing a disproportionate share of costs.

All universities should charge equitable automobile registration fees. Creating a uniform fee structure at East Carolina, Wilmington, and Appalachian State would generate additional income of \$21,000 per year.

## **Appalachian State University**

This university was founded as a teacher's academy. While its mission is still largely teacher training, it has expanded programs in the liberal arts and sciences. Because of comprehensive long-range planning, its extensive and rapid growth has been orderly. University accounting systems, though manual, are generally efficient and well-organized. Computerized registration and National Direct Student Loan accounting procedures are functioning well and could serve as model systems for the state universities. The mandatory food service provides students great flexibility in location and type of meals. Dormitory occupancy averages about 95% throughout the school year. The university-run bookstore has had problems with merchandise selection and overstocking which need continued attention. A power company operated by the university is efficient and well-managed, but its return on investment is low.

## **RECOMMENDATIONS**

### **29. Substitute a pre-engineered building to replace the brick design for the proposed physical plant facility.**

Appalachian State University has budgeted for fiscal 1974 a 41,000-square-foot physical plant building to be erected on its farm several miles from the campus. This building will house motor vehicle maintenance; physical plant offices; the carpentry, electrical, mechanical, grounds, and paint shops; as well as spare parts and housekeeping supplies. Construction costs would approximate \$770,000.

A pre-engineered building should be substituted for the planned brick structure. This would fully serve the university's needs and, being removed from the main campus, would not conflict with present architecture. Such a building would incur a total cost of \$369,000, for a one-time cost avoidance of \$401,000.

### **30. Reduce the number of authorized permanent positions within the Continuing Education Center.**

The university recently opened a Continuing Education Center. This center has some 95 guest rooms, as well as dining facilities, meeting rooms, and the like, which are typical of commercial convention motels. For operation of the center, 50 permanent positions have been authorized with annual salary costs of \$300,000. It is doubtful the center can support such an expense in light of its other operating costs and debt retirement obligations.

About 15 of the positions should be filled by students working part-time for \$3,000 per year. This would lower annual personnel costs by \$45,000. The number of authorized positions should be reduced to 35, and plans should be made for continued use of student help in other needed positions.

**31. Replace four full-time positions in the bookstore with part-time help.**

The university's bookstore operations employ seven full-time personnel and relatively few part-time employees. In light of the seasonal nature of business, four of the full-time positions should be replaced with part-time help.

A full-time sales clerk earns \$460 a month, whereas part-time student help would cost about \$350 monthly. Thus, payroll expenses could be reduced by \$5,300 annually. Use of part-time sales personnel only as needed during peak sales hours could reduce their paid time and provide additional savings approximating \$5,600 per year. Combined savings would be \$10,900 annually.

**32. Reduce the bookstore's stock of athletic equipment.**

The bookstore's athletic department has accumulated excessive inventories. At the end of fiscal 1972, sporting goods stock on hand was valued at \$200,000, while departmental sales for the year were only \$175,000. Low turnover has resulted in wasted floor space, excessive warehouse costs, tied-up capital, and an obsolete inventory. While special sales have been offered, additional steps should be taken to eliminate excess stock.

**33. Formalize open-account purchase agreements with local vendors.**

The university maintains several open accounts with local merchants for plumbing and electrical supplies, hardware, and so on. Agreements with these merchants should be formalized with purchase orders or letters which set forth the period of time covered by the agreement, maximum single item cost and total amount of purchases authorized, persons authorized to make purchases, as well as terms and billing instructions. No savings are claimed, but formalized procedures will improve the performance of procurement personnel.

### East Carolina University

As the third largest state university, this institution offers bachelor's and master's degrees in many areas of the arts and sciences. Business operations are generally well run, although application of automated data processing has been hindered by trouble encountered in upgrading the computer center. These difficulties appear to be largely resolved. This university is one of the schools having problems

with declining utilization of dormitories and plans to close two dormitories for 1973/74.

### **RECOMMENDATION**

**34. Evaluate converting excess dormitory space into more desirable quarters or other usable space.**

The university plans to close two dormitory buildings because of the lack of demand. Consideration should be given to renovation of the excess space into better dormitory rooms, offices, or storage.

### Elizabeth City State University

This small teacher education institution has had considerable academic and business difficulty in the past, but improvements have been made in recent years. The largest single remaining problem is the poor condition of buildings and grounds. Considerable funds have been spent in renovation and new construction, but results do not appear commensurate with costs. There is considerable room for improvement in the operation of the auxiliary enterprises. The data processing operation is acceptable, but help will be needed as utilization increases.

Elizabeth City is served by both the university and a community college. The Board of Governors is responsible for planning and developing a coordinated system of higher education in liaison with the State Board of Education and Department of Community Colleges. This coordinated planning should include a careful evaluation of the facilities and programs of each institution as they relate to the state's long-term plan.

### **RECOMMENDATIONS**

**35. Assign a construction engineer to supervise renovation and new construction projects.**

Because of its geographic remoteness, this university has had problems attracting competent construction contractors. Past examples of faulty construction are many. At present, over \$1-million is allocated for various renovation projects. Although the university is not large enough to justify a permanent, full-time position, an engineer's services should be secured on an as-needed basis either from within the consolidated university system or from outside sources. A professional engineer could identify construction problems and deficiencies as they occur, as well as direct the contractor to take corrective action. Salary costs would be about \$15,000 annually.

**36. Establish procedures to ensure a Grade A sanitary rating for the university cafeteria.**

In December 1972, the cafeteria was inspected and given a B grade for various reasons. The cafeteria



was still rated B in April 1973. The university should immediately institute procedures to minimize sanitation violations and achieve a Grade A rating.

### **37. Institute controls on stationery and supplies.**

The student stores have no sales in pencils, paper, and other supplies. The general supply store disburses large amounts of these items to the various departments. It appears these supplies are distributed to the students. Losses to the bookstore cannot be estimated. Controls should be instituted through the various deans to ensure proper use of stationery and supplies.

## **Fayetteville State University**

Established in 1877, this university became the Fayetteville Teachers College in 1939. Education is still its largest academic department, but efforts are being made to expand the total program. The university has made improvements in its business operations and a needed reorganization is planned for the near future. The auxiliary enterprises are also improved, but opportunities remain for cost reductions and improving vending machine operations. The buildings are of varying quality, and funds have been authorized to replace and renovate some of the worst. Not enough action is taken to collect delinquent accounts receivable and prevent long accruals. The university's first computer system has been installed recently. Although academic applications are expected to grow rapidly, development of sound automated business data processing requires outside assistance.

## **RECOMMENDATIONS**

### **38. Consolidate business operations under a Vice Chancellor for Finance and Business.**

Business operations at the university are fragmented. The major problem is that no one person, other than the chancellor, is responsible for the entire business management and central service activity at the university. This places a considerable burden on the chancellor and precludes essential comprehensive planning of business affairs.

An integrated business organization should be created under a Vice Chancellor for Finance and Business. He should be responsible for accounting, business services, purchasing, security, switchboard, word processing, and the physical plant. In addition, he should be involved in coordination of activities with the data processing operation. Creation of this position would ensure more responsive service delivery, as well as establish responsibility for developing management systems and planning to meet business and finance needs. The position could be filled from present staff, and other expenses would not be significant.

### **39. Purchase a two-way radio communication system for the campus police force.**

The campus police force has no communication system other than the telephone. Policemen are expected to call the switchboard every half hour to see if emergencies exist. Problems arise when emergencies occur shortly after the policeman has called in, and considerable time may elapse before he is even aware of the emergency. This practice may have been adequate when the campus was small. However, with the recent addition of acreage and buildings some distance from the old campus, serious gaps in security coverage exist. Theft losses on the campus in the last year were \$40,000.

To provide adequate communication, five two-way portable radios and one base switch station should be purchased. This would ensure more efficient security coverage. The equipment would cost approximately \$6,500.

### **40. Strengthen procedures for collecting delinquent accounts receivable.**

In April 1973, accounts receivable in the amount of \$175,000 were over a year old. Formalized collection procedures should be implemented to ensure follow-up effort is made as soon as an account becomes delinquent. Savings in clerical collection time and reduction in accounts written off should be significant, although no reduction in the present staff seems likely.

## **North Carolina Agricultural and Technical State University**

Established in 1890, this university is fulfilling its mission as a land-grant agricultural and engineering institution. Of particular note are its good food services and book rental operations. While a deferred payment plan for tuition, room, and board offers students financial flexibility, not enough effort is made to prevent accounts receivable build-up and delinquency. Accounting systems are not automated. In addition, more personnel are needed in the groundskeeping and accounting departments.

## **RECOMMENDATIONS**

### **41. Increase staff to strengthen the university's general accounting function.**

The general accounting department is responsible for payroll, accounts payable and disbursements, capital improvements, preparation of academic and auxiliary services reports, as well as budget control. These functions are performed by six accounting clerks and the chief accountant. This level of staffing is insufficient.

An additional accountant should be employed to strengthen operational control and effectiveness.



The accountant should be given budget control duties and tasks now performed by the chief accountant. Annual salary expense would be \$11,000.

#### **42. Automate student accounts receivable.**

While three full-time clerks are utilized in posting accounts receivable, the large number of accounts and time required for posting have adversely affected the control function. Payment policies are often not followed and statements are not sent out as frequently as they should be.

Improvements in control and collection should be realized by computerizing student accounts receivable. The computerized system should include sorting and posting of all charges and credits, flagging of all delinquent accounts, printing of pre-registration billing information and monthly bills, as well as listing of aged delinquent accounts to be used in collection processes. Automation would allow elimination of two posting clerks, and the third could be made more effective by reconciling batch totals and coordinating collection procedures. The estimated one-time cost of developing a computerized system would be \$4,000, with annual maintenance costs of \$1,000. Annual savings from the clerical reductions would be \$12,600.

#### **43. Utilize the library's data processing equipment in the university computer center.**

Data processing unit record equipment has been donated to the university library. The library plans to set up this equipment to perform book purchasing, serial control, and other listing functions.

These plans should be combined into a more comprehensive system within the existing university computer center. This would permit optimal utilization of the limited capabilities of this equipment and prevent unnecessary fragmentation of the data processing function. The donated equipment should replace similar leased equipment in the center. A one-time equipment and facilities renovation cost of \$4,000 and annual maintenance charges of \$3,000 could thus be avoided.

#### **44. Increase the grounds maintenance staff.**

The present poor appearance of the university's campus is the result of having only three positions funded for grounds maintenance. In an effort to keep up with the mowing, hedge trimming, and so on, housekeeping assistants are occasionally pulled to perform these tasks. This policy is inadequate, since the housekeeping staff is reduced by 33% during the summer.

The grounds staff should be assigned five additional employees during the summer months. Five housekeeping assistants, who are now hired for only 9 months per year, could be employed for a full year, with the understanding that they would work on

the grounds staff for 3 or 4 months during the summer. The added salary cost would be \$7,500 per year. The grounds staff should not be shifted to other duties, except in the case of inclement weather. Campus appearance should improve considerably as a result.

### **North Carolina Central University**

Founded in 1910 as a private institution, this school came under state control in 1923. Its primary academic emphasis is the liberal arts, and the several graduate programs include a law school.

The campus is located in a growing city. Consequently, land needed for expansion is costly, and skilled and semi-skilled labor is difficult to hire and retain. The school is in the beginning of a major construction program which is the first phase of a 20-year plan.

The physical plant is in good condition. However, auxiliary enterprises suffer from a general lack of modern management and business methods. Monthly financial reports are not detailed enough to be useful, and little use is made of automated data processing in business operations.

### **RECOMMENDATIONS**

#### **45. Assign a construction engineer to supervise contractors.**

The university is embarking on a building program in excess of \$5-million, and has no construction engineer on campus. Instead, reliance is placed upon architects to supervise the contractors. This arrangement is not workable because the objectives of the architects and the state may not be compatible, and substandard buildings may result. Also, one person is not charged with overall responsibility for construction, since several architects are involved in various projects. Furthermore, a responsible person may not be on campus when a problem arises.

Because of the size of the campus, it is not feasible to permanently assign a construction engineer. However, in this accelerated building stage, present campus personnel will not have time to make proper inspections and follow-up. A construction engineer should be assigned full-time to the projects for the duration of the building phase. In this way, responsibility and authority could be assigned to one competent professional. The estimated salary expense would be \$15,000 per year, while construction is in progress.

#### **46. Convert the snack bar to fast food service.**

The snack bar in the student union operates a group of candy and sandwich vending machines in addition to a hot food line. Its hot food line generally has two food items similar to those carried in the

cafeteria. The snack bar serves an average of 25 meals a day, including breakfast, and operates at a \$9,000 annual deficit.

The sandwich vending machine should be removed and the hot food line converted to a fast food format, serving hamburgers, hot dogs, and the like. Another university with smaller enrollment operates such a fast food snack bar at a 15% profit on sales of \$1,000 a week. The North Carolina Central snack bar would have sales conservatively estimated at \$2,000 per week. Based on 40 weeks of operation, this would represent \$12,000 in additional annual income.

**47. Strengthen procedures for collecting delinquent accounts receivable.**

In April 1973, accounts receivable in the amount of approximately \$25,000 were over a year old. Formalized collection procedures should be implemented to ensure follow-up is made as soon as an account becomes delinquent. Savings in clerical collection time and reduction in accounts written off should be significant, although no reduction in present personnel seems likely.

### **North Carolina School of the Arts**

This school was opened in 1965 to prepare talented young people for careers in the performing arts. It offers courses at the high school and college level to students selected by audition.

The skeletal administrative organization is adequately serving the needs of the school. However, there is no formal documentation of job descriptions, procedural methods, or financial matters. A monthly copy of the accounting ledger card, showing actual expenditures without encumbrances, is the only status report made.

The mixing of elementary, high school, and college level students creates unique problems requiring specialized attention in housing, counseling, and curricula. Only two-thirds of the available student living spaces are currently occupied. The inability to employ groundskeepers is manifest in the generally unkempt appearance of the campus grounds and buildings.

### **RECOMMENDATION**

**48. Implement a purchase order encumbrance system.**

The lack of encumbrance information concerning pending purchases precludes meaningful analysis of budgetary reports. Manual encumbrances reporting should be included in the present accounting system to provide better control of departmental purchasing budgets and prevent overexpenditure. Implementation costs should be offset by savings from improved budgetary control.

### **North Carolina State University at Raleigh**

In addition to comprehensive engineering and academic courses, North Carolina State University offers programs to stimulate research in agriculture and extends educational services to industries in the state. This university is fulfilling its basic mission as a land-grant institution. The service departments under the Office of Finance and Business Affairs are well managed. Opportunities exist, however, for several cost reduction programs. While accounting and finance personnel fulfill their responsibilities, present accounting systems and procedures are separate and diverse, resulting in duplication of effort. The need for integrated accounting systems and realignment of responsibilities has been recognized by the university.

Although employees seem dedicated, personnel problems do exist. Some of these problems are inherent in the state system, but others could be dealt with by the university.

Documentation of policies, practices, and procedures is lacking in most administrative offices and schools. This often leads to misunderstanding and does not provide the continuity needed to ensure efficient operation.

### **RECOMMENDATIONS**

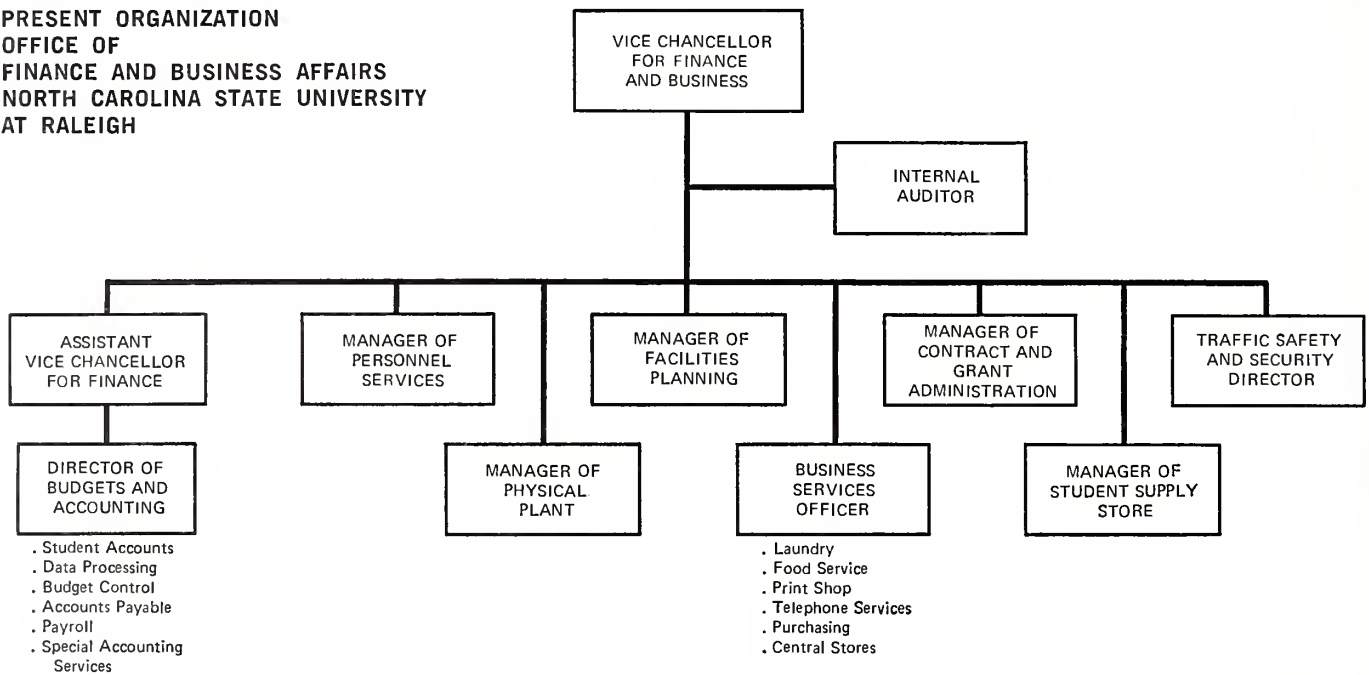
**49. Reorganize the Office of Finance and Business Affairs.**

This office is responsible for fiscal management and accounting; negotiation of contracts and grants; accounting, management, and operation of university properties and facilities; and all business services. These tasks employ approximately 800 full-time personnel. The present organization chart is shown at the top of the next page.

Nine individuals currently report to the vice-chancellor. Some of these staff functions should be handled by persons in middle management levels. The integrated financial information system, which is presently being developed, should encourage some reassignment of responsibilities and realignment of organizational functions. Reassignment of certain staff functions to middle management levels will promote efficiency of operations and strengthen managerial capabilities. The university should continually evaluate its managerial needs and develop a management training program.

The Office of Finance and Business Affairs should be reorganized as depicted in the lower chart on the next page. At present, staff titles are not uniform. They range from assistant vice chancellor to officer to manager. In the proposed organization, all staff personnel reporting to the vice chancellor are directors. The student supply stores should be in-

**PRESENT ORGANIZATION  
OFFICE OF  
FINANCE AND BUSINESS AFFAIRS  
NORTH CAROLINA STATE UNIVERSITY  
AT RALEIGH**



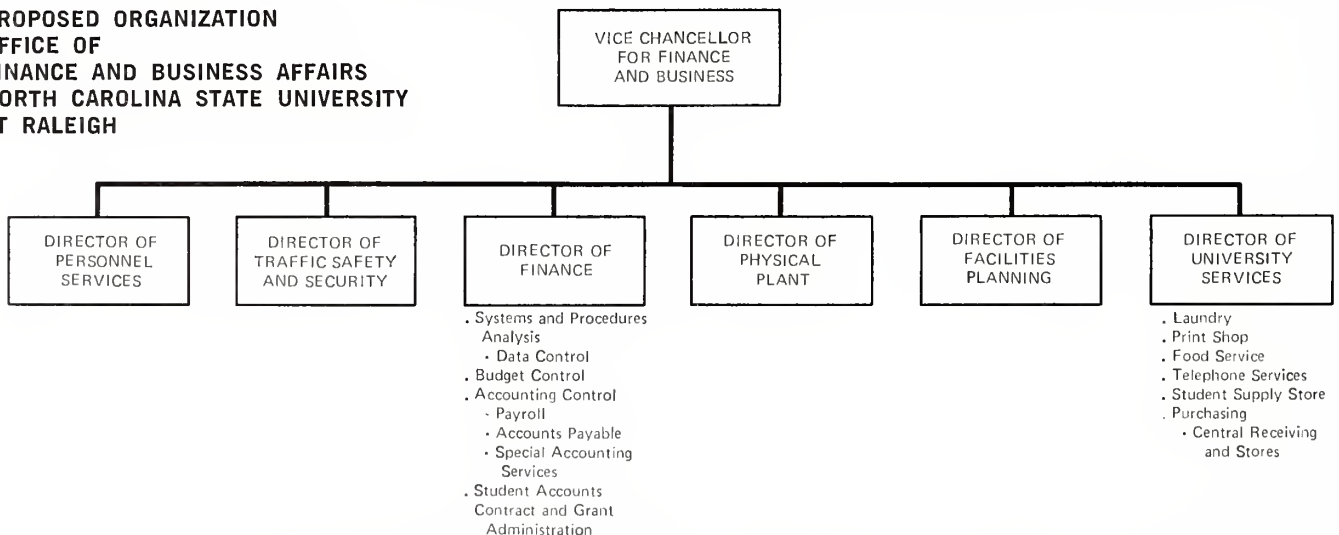
cluded with other services under direction of the Business Services Officer, who would be retitled Director of University Services. Contract and grant administration will be supervised by the renamed Director of Finance. These steps will reduce the number of staff reporting directly to the vice chancellor and consolidate services. Other changes include separating budget and accounting control functions, as well as establishing a systems and procedures department, both under finance. These changes will require additional accounting and sys-

tems specialists. However, personnel reductions should be possible once the computerized system has been fully implemented.

**50. Establish a systems and procedures analysis department.**

A computerized, integrated accounting system is being designed and implemented. Successful operation of this system will require close liaison with the computer center, development of new procedures, and maintenance of adequate accounting controls.

**PROPOSED ORGANIZATION  
OFFICE OF  
FINANCE AND BUSINESS AFFAIRS  
NORTH CAROLINA STATE UNIVERSITY  
AT RALEIGH**





No accounting personnel have been given these responsibilities.

A systems and procedures analyst should be employed as the accounting office's liaison with data processing personnel. This analyst should establish manual and computerized accounting practices, maintain written accounting procedures and policies, and supervise data control activities.

A data control section should be drawn from current personnel. It would maintain batch controls on all data processed by computer, ensure that all errors are promptly corrected and reentered, and distribute data processing reports.

The systems and procedures analyst would report to the Director of Finance. His annual salary would be \$15,000.

#### **51. Centralize administrative and accounting procedures for research contracts and grants.**

During fiscal 1972, the university received and expended \$16-million in contracts and grants. The responsibilities of accounting for and administering these transactions are separated between the centralized financial departments and the various academic research departments. Many functions are duplicated. These duplications hinder research administration, increase accounting costs, and may adversely affect basic research operations. To increase efficiency, administrative and accounting responsibilities should be centralized as follows:

- ▶ Assign to the Contract and Grant Department the responsibility for determining that expenditures are in compliance with each contract and grant.
- ▶ Prepare, by means of the computerized system, monthly summaries of budgeted and expended amounts on a current period, fiscal year-to-date, and contract year-to-date basis for each contract and grant.
- ▶ Give the Contract and Grant Department responsibility for preparing all special accounting reports to primary investigators and research grantors.

While certain systems development and added administrative personnel costs will be incurred, significant cost savings can be realized by eliminating duplicate accounting systems. Since a university-wide computerized accounting system is presently being developed, initial systems costs should not exceed \$20,000. Salaries for two additional qualified accounting personnel would cost \$26,000 annually. A minimum of 15 clerical positions could be eliminated throughout the various research departments. Net savings would approximate \$48,000 the first year and \$68,000 in each succeeding year.

#### **52. Review overhead rates applicable to organized research.**

There are several acceptable methods for calculating indirect expenses applicable to organized research. Current overhead rates are based on cost statistics at the university level and do not incorporate any allowable weighted averages in allocating indirect costs to research. A sampling test of six campus buildings partially utilized in agricultural, engineering, and textile research was performed to estimate certain facilities' indirect costs by:

- ▶ Charging each building with its actual operating and maintenance costs.
- ▶ Allocating building use charges related to research on a weighted average method.

The test indicates that approximately \$569,000 of the six buildings' operating, maintenance, and use charges could be allocated to organized research. Under present allocation methods, only \$394,000 was included in overhead calculations. The \$175,000 difference represents a 44% increase in allocable charges.

The total of allocable charges related to research facilities for fiscal 1972 was \$1.88-million. Assuming the sampling is representative of all the university's research-related facilities, an overall 44% increase could raise allocable costs by \$837,000.

A 2% factor is allowed in calculating facilities' use overhead costs allocable to organized research. Equipment used in research is allowed a 6.67% rate. In constructing a research building, some specialized environmental and safety control equipment is included in the cost of the buildings and is subject to the 2% building use factor. Such equipment, if properly identified and accounted for as fixed research equipment, would be eligible for the 6.67% rate and produce further income.

#### **53. Allocate data processing expenses to user departments.**

While automated data processing (ADP) services are vital to the university's academic and administrative operations, they are costly in terms of machinery and computer personnel. In fiscal 1972, ADP-related expenses approximated \$500,000. As computerization expands, expenses will increase significantly. Certain cost data are currently available, but no formal reviews of user costs are made.

Expense allocation reporting should be implemented. All ADP costs should be allocated on a basis of programming hours, machine run time, and similar factors. Reports could be made on a departmental and a specific project basis.

These reports can provide important cost information. Estimated and actual time and expense for

new ADP applications could be compared for evaluating feasibility and performance. The expenses allocated to the various departments would indicate the extent of ADP services utilized by the finance, research, and academic areas. This information would be valuable in determining projects to be undertaken and the priorities given to them. An estimated expense report could be used in evaluating the form, frequency, and format of the various ADP-generated reports and their cost.

One-time costs to implement an allocation system are estimated to be \$24,000. Total savings cannot be determined. However, based on current levels, proper allocation of reimbursable research-related data processing costs could increase income by \$50,000 annually.

**54. Use the state long-distance telephone network to reduce costs.**

The university currently spends about \$320,000 annually for telephone services. A study conducted in 1971 by university personnel indicates that utilization of the state long-distance network instead of the present system would provide better service at lower cost. The university should update the telephone study and utilize the state long-distance network. This action would improve controls over long-distance calls and reduce charges, resulting in annual savings of approximately \$100,000.

**55. Establish a central receiving point for incoming materials.**

Incoming materials are delivered to many different points on campus. This causes unnecessary traffic, involves too many individuals, and often delays reports necessary for prompt payment of invoices and taking cash discounts. Previous audits indicate annual discount losses caused by this delay are approximately \$30,000.

A central receiving point should be established in the present Central Stores building by installing storage racks and making greater use of vertical storage. This will expedite the processing of reports so all discounts may be taken. The cost of storage racks is estimated at \$7,000. Manpower required will be less than that now used throughout the campus. There will be some additional cost for delivery, but this will be negligible since Central Stores now performs some delivery services. Annual savings of \$30,000 will result from taking all cash discounts. Further savings should be derived from improved inspection, damage claims processing, and other procedures.

**56. Establish a centralized electronics repair shop.**

There are 15 electronic technicians who work in shops scattered around the campus. Establishment

of a centralized repair shop would improve operational efficiency, reduce expenditures for repair parts and tools, and allow personnel reductions. However, no savings are claimed.

**57. Combine the mini-cafeteria and snack bar in the student activity center.**

At present, there is a crew of two serving the mini-cafeteria, while two more employees serve the snack bar. These functions are separated by a wall. The wall should be removed, since one crew could adequately serve both areas. On a two-shift basis, annual savings should approximate \$13,000 through personnel and equipment reductions.

**58. Reduce the laundry staff.**

The university laundry staff provides service for the athletic teams, the Physical Education Department, students, and faculty. It also provides linen-rental for students and dry cleaning for students and faculty. Total receipts for fiscal 1972 were \$160,700. The volume of work, however, does not justify the current staff. Five positions should be eliminated immediately, for annual savings of \$31,500.

No-iron sheets should be purchased to replace the present all-cotton variety. Their slightly greater cost would be offset by better durability and laundering efficiency. Based on current volume, two additional personnel with combined salaries of \$12,600 annually could then be eliminated. The total annual saving would be \$44,100.

**59. Consolidate keypunching and dispose of surplus tabulating equipment.**

Collection and preparation of computer input data is now performed in three locations. The business office, student affairs, and computer center have 12 employees and data processing equipment with a monthly rental of \$3,100 engaged in keypunch and tabulating operations.

These operations should be combined and computer programs developed to replace jobs now performed on unit record tabulating equipment. Programming would cost \$2,000 but would allow elimination of unit record equipment and two clerical employees. Annual savings would be \$28,200.

## **Pembroke State University**

This university was established in 1887 as a school for Indians. In 1954, the school was opened to all races. Its primary academic emphasis is teacher training.

Accounting practices are good, with extremely low delinquency of accounts receivable. Buildings and grounds are in good condition and are adequately maintained. Perhaps the largest business problem is the 70% occupancy rate of dormitories. This re-



flects an off-campus living trend among students, reduction in out-of-state students due to tuition increases, and the opening of a new dormitory. Other areas needing improvements are bookstore operations, copying costs, and business applications of automated data processing.

## RECOMMENDATIONS

### 60. Reorganize business operations.

At present, the business manager has eight personnel reporting directly to him. The result is poor communications and control. The direct reporting relationships should be reduced to four managerial positions with no increase in expense or personnel. These positions and their responsibilities would be as follows:

- ▶ Accounting and Budget Manager would oversee accounting, budgeting, utility records and reports, and insurance functions.
- ▶ Purchasing and Stores Manager would supervise purchasing, central supply, duplicating, surplus property, and inventory operations.
- ▶ Physical Plant Manager would have responsibility for maintenance, housekeeping, security, telephone service, automobile registration, vehicles, and construction.
- ▶ Auxiliary Service Manager would direct the students' supply store and handle cafeteria and other service contracts.

## University of North Carolina at Asheville

This university's major role is to provide liberal arts education at the undergraduate level. As such, it has remained small even though it is located in a large urban center. It is staffed with generalists rather than specialists, and their responsibilities are adequately defined and effectively fulfilled. Dormitories have recently encountered increased financial and occupancy problems because of lack of security and insufficient funding. The security force is inadequate and ill-trained for coping with the university environment. Although these problems have been recognized, no satisfactory solutions have been developed.

Because of a leveling of demand for liberal arts education and a consequent slower rate of enrollment, the university is experiencing difficulty in making full use of its facilities and resources. Expansion of programs has been requested and requires careful evaluation in light of the university's mission to the area as well as programs offered by other state universities and the community college system.

## RECOMMENDATION

### 61. Improve student bookstore operations.

The bookstore currently employs three full-time employees to support annual sales of \$105,800. One of these full-time personnel should be replaced with part-time help to reduce costs by approximately \$3,200 annually.

Gross profit on the bookstore operations should approximate 21%. However, the actual gross profit for fiscal 1972 was 18%. By improving controls over markdowns and shrinkages, profit could be increased by approximately \$3,000 annually.

## University of North Carolina at Chapel Hill

The University of North Carolina at Chapel Hill is the oldest, largest, and most comprehensive academic and research institution in the university. A rapid increase in enrollment and university activities during the last decade has created problems in non-educational areas. Those most seriously affected have been physical plant, data processing, personnel, parking and traffic, as well as equipment utilization and control. The administration has recognized many of these problems and taken such corrective action as the reorganization of certain business functions, implementation of some new procedures, and increased application of automated data processing. A number of recommendations for Chapel Hill deal with problems which are also present at the smaller institutions.

## RECOMMENDATIONS

### 62. Revamp the internal audit function.

The activities of the university are diverse and complicated and the volume of dollar transactions is tremendous. As a result, the present staff of only three professional accountants cannot possibly perform all assigned responsibilities.

An overall program should be developed to ensure that all departments are audited on a regular basis. Priorities should be assigned to high-risk departments. Additionally, the present internal audit staff should be increased to six professional accountants. Salaries for three additional personnel would total about \$35,000 annually. One of the staff auditors should be a data-processing specialist.

Efforts should be made to eliminate or reduce the audit work done on Fair Labor Standards Act compliance. This work presently requires one accounting clerk, 50% of the time a secretary, and two students working 20 hours per week. The task is essentially a 100% check of the computer-prepared payroll. The most that should be done is a limited test of employee time forms. Personnel involved could then be assigned more meaningful duties.



Implementation would involve an additional annual cost of approximately \$35,000. However, the improved controls will enhance protection of university finances.

**63. Initiate programs to reduce staff turnover.**

In calendar 1972, the university hired 2,800 replacement employees to maintain a work force of 4,000. The highest turnover rates, nearly 100% per year, were in the labor, service, and clerical categories. The reasons are varied and include dependence on student wives to fill clerical positions and problems inherent in introducing disadvantaged persons into the work force. Also, many employees feel there are few chances for advancement and wage rates are not competitive. It is difficult to judge what a good turnover rate would be. In industry, however, annual turnover of 30% could be crippling.

The following actions should be taken to reduce turnover:

- ▶ Reduce the dependence on student wives to fill clerical positions. A pool of qualified clerical employees would better allow the university to develop a core of permanent clerical employees. Instead of hiring part-time help, a department would be able to draw experienced clerks from the pool as needed and return them when assignments are completed.
- ▶ Provide additional counseling for disadvantaged new employees. The university has an orientation program that probably meets the needs of the nondisadvantaged. However, disadvantaged persons have special needs. Two counselors should be hired to help disadvantaged new employees become assimilated into the work force. The added salary expense would be \$20,000 per year.
- ▶ Add a training director and an assistant to train supervisors in human relations techniques, as well as assist present personnel in qualifying for promotion. Their salaries would total about \$30,000 per year.
- ▶ Initiate a thorough study of compensation to ensure competitive wages are being paid. Following this study, the university should either publicize the fact that wages are competitive or announce that salary ranges will be revised to meet competition.

These steps have been found to be critical to reducing turnover in industry. Experience indicates implementation should allow the university to reduce turnover by 50% in a 2-year period. This reduction should save \$140,000 a year in turnover costs. Two clerks and two interviewers in the Personnel Department could also be eliminated, for annual sav-

ings of \$31,000. The net annual saving from all proposed changes will therefore amount to about \$121,000.

**64. Exempt the Carolina Inn from the State Personnel Act and certain requirements for purchasing through the state system.**

The Carolina Inn is designed as a profit-making enterprise and operated by the university for the benefit of the library. The inn provides housing and meals to university visitors as well as the general public. Its staff is comprised entirely of state employees. However, the provisions of the State Personnel Act are not conducive to efficient, full-time hotel operation. Personnel practices inherent to the hotel business are not effectively covered by the act.

The Carolina Inn should be exempt from this constraint. Allowing the inn to operate under generally accepted hotel management practices should produce additional income of \$30,000 annually.

Also, the quality of foods provided under state purchasing contracts is not suitable for hotel use. Additional purchase orders, contracts, and the like are required to obtain proper food. About \$10,000 could be saved annually if the inn were allowed to negotiate its food requirements.

**65. Establish special procedures for minor renovation jobs.**

The physical plant section performs all but the largest construction projects in the same manner. It requires considerable time to complete even the smallest job.

Along with implementing changes to improve response to all projects, a special procedure should be developed for jobs under a specific value, such as \$200. A well-equipped truck with a versatile crew could be sent to complete small projects on the first visit. This would eliminate preliminary visits by an estimator and a foreman as well as considerable paperwork.

Costs would be minimal. The savings in manpower and paperwork would be significant, as would be the improvement in general operation of the university. Monetary savings of \$10,000 per year are anticipated.

**66. Increase the number of foremen in the physical plant sections.**

Several physical plant foremen are too overloaded to properly supervise work and inspect jobs. In one case, a foreman supervises 20 craftsmen. Additionally, he must request material, make some cost estimates, and perform material procurement and storage functions. Another foreman is similarly overloaded.

Two foremen's positions should be added. This step would improve the quality of the work, reduce personnel turnover, and increase overall efficiency. The annual cost would be about \$24,000.

**67. Reorganize the business section of the Business and Finance Office.**

The section includes three groups working on various phases of campus buildings and grounds. These are Physical Plant Planning, University Engineering, and Physical Plant. Physical Plant reports directly to the Assistant Vice Chancellor, while the other two are subordinate to the Director of Operations and Engineering. Close cooperation is lacking.

The business section should be restructured by placing all three groups under Operations and Engineering and locating them in the same area. Security Services, presently under Operations and Engineering, should report instead to the Assistant Vice Chancellor. Better cooperation and coordination could thus be obtained.

**68. Raise the parking fee at hospital lots for periods when attendants are not on duty.**

At present, attendants are on duty in the two hospital parking lots 8 hours per day, Monday through Friday. When an attendant is not on duty, a driver pays \$0.25 to an automated gate. When attendants are on duty, however, the average charge is \$0.43. The automated gate fee should be raised to \$0.50, which more closely approximates the average charge when an attendant is on duty. When the attendants leave each day, there are about 100 parked automobiles which must pay an automated gate. In addition, an average of 1,000 automobiles use the lots on weekends. The change in fee would increase revenue by \$19,500 per year. An estimated one-time cost of \$1,000 would be required to convert the two automated gates.

**69. Utilize motor scooters for patrolling parking facilities.**

Currently, parking areas are policed on foot, because the physical layout of many small parking areas on the campus prohibits use of automobiles. Five scooters should be purchased to enable campus police to more effectively patrol the university. Utilization of the scooters will require that university vehicle registration tags be placed on both bumpers of parked automobiles, instead of the windshield. Implementation will permit a reduction of three patrolmen, for annual savings of \$20,700. The one-time purchase cost would be \$2,500.

**70. Improve the utilization of university vehicles.**

There are 451 licensed campus vehicles, with only seven assigned to a motor pool. In the spring of 1973, the university was scheduled to purchase 86 new vehicles and turn in 73, adding 13 to the campus

complement. State guidelines specify that a vehicle should be replaced after 3 years or 60,000 miles. The university has changed the age requirement to 5 years. The average usage of vehicles turned in is 5 years and approximately 20,000 miles. A survey indicates that sedans are driven only 2,000 miles per year. Trucks are driven 6,000 miles per year. Utilization of vehicles should be improved as follows:

- ▶ Allow departments to keep only those driven 15,000 miles or more per year.
- ▶ Reduce the number of executive cars.
- ▶ Use personal automobiles for business trips within the Chapel Hill area and reimburse personnel for mileage incurred.
- ▶ Increase the university motor pool to 25 vehicles, including five half-ton trucks.
- ▶ Require personnel to use motor pool vehicles for trips outside the Chapel Hill area.
- ▶ Rotate low-mileage vehicles into the motor pool and trade in high-mileage units.

Implementation will reduce annual requirements by 50%, for an annual saving of \$116,000. Personnel would be reimbursed for about 30,000 miles annually. At \$0.10 per mile, a cost of \$3,000 would be incurred. Net annual savings should thus be \$113,000.

**71. Reevaluate the procedure for purchasing typewriters.**

For years, the university has bought refurbished electric typewriters. The machines are sold to the university with a 90-day warranty for \$350. The warranty period does not start until the campus office machine shop issues the unit. The vendor services the machines for 90 days, and subsequent maintenance and repair is performed by the campus shop.

Inspection of the state office machine contract reveals that new typewriters can be obtained from other vendors at \$15 to \$60 less than the price of refurbished units. In addition, all vendors on state contract offer a one-year warranty. New typewriters should be purchased from vendors on state purchasing contracts. However, no savings are claimed.

**72. Consolidate operations of the office machine and electronic repair shops.**

The office machine and electronic repair shops are currently independent. The office machine shop repairs typewriters and bills only certain departments, at a rate of \$6 per hour plus parts. The electronic repair shop services electronic test equipment and television sets. It charges all customers for labor, parts, and 20% overhead.

These two shops should be consolidated and all customers charged a higher, more realistic rate. Ex-



penses and receipts should then be compared to determine profitability. Better control and efficiency should result, and fewer vehicles, personnel, and other equipment should be required. However, no saving is estimated.

### **73. Consolidate receiving and warehousing functions of student stores and move the university press and print shop.**

The main receiving and warehousing for the student stores are performed at the general warehouse near the university airport. A perpetual inventory system is used in this rent-free facility. Stock is later transferred to the basement of the Daniels Building 5 miles away, thus duplicating functions and adding transportation expense. No inventory control system exists at the Daniels location.

Presently, the university's print shop occupies another part of the basement of the Daniels Building, for which it pays rent of \$9,800 per year to the student stores. This space is too small. More efficient printing equipment cannot be installed, storage space for paper is limited, and service to customers is restricted.

The university press also occupies rent-free quarters in the airport warehouse. However, the press is outgrowing its quarters because of a large inventory of books. This stock should be reduced to a bare minimum. Books could be donated to libraries and sold at reduced prices in the student stores. Smaller, more suitable, rent-free quarters should be located for the press.

The student stores' warehousing functions should be consolidated in the basement of the Daniels Building. This would improve inventory control and eliminate the need for a storeroom manager, two stock clerks, two truck drivers, and two trucks. Salary expenses saved would total \$32,000. Considering the loss of \$9,800 in annual rental income, net annual savings to the stores would be \$22,200.

The airport warehouse space vacated by the press and student stores should be used by the print shop. Larger quarters will allow the shop to purchase paper in more economic lot sizes for estimated annual savings of \$10,000. Combined savings realized from all changes would be about \$32,000.

### **74. Reorganize and increase campus parking facilities.**

Automobile registration of 12,000 greatly exceeds the 8,700 available on-campus parking spaces. It is extremely difficult to park, a fact which causes great dissatisfaction among university personnel, visitors, and students.

The university should implement a parking plan which would create additional revenue and guar-

antee an on-campus parking space. The following steps are suggested:

- ▶ Sell 8,000 guaranteed spaces for \$50 each per year. This would generate revenue of \$400,000 per year, with no increase in costs.
- ▶ Increase the number of metered spaces from 200 to 700. These spaces could be used by anyone. Fees of \$0.50 for 10 hours would yield annual income of \$91,000.
- ▶ Construct three perimeter parking lots of 1,000-automobile capacity on university property. These lots could be used by anyone at no charge.
- ▶ Contract for a shuttle bus service to move people between perimeter lots and the campus. About six buses would be needed at a total yearly cost of \$120,000. Expenses could be more than offset by charging a \$0.10 fare.

Estimated yearly increased maintenance charges would be \$10,000 for perimeter lots and \$10,000 for parking meters. Annual revenue would be approximately \$471,000, an increase of \$351,000 above present receipts of \$120,000. One-time costs would include \$300,000 for construction of perimeter lots and \$50,000 to develop additional metered spaces.

## **University of North Carolina at Charlotte**

Situated in the largest urban area of the Carolinas, this university has a unique mission because of its emphasis on urban affairs and its high proportion of commuting and transfer students. Although the University of North Carolina at Charlotte is a relatively new and rapidly-expanding institution, it has an aggressive staff, well-defined administrative policies, and a good statistical data base. Computerized accounting systems are being implemented to replace inefficient, manual methods. Present business operations are functioning adequately, although inefficiencies do exist in several auxiliary services. Communications in both administrative and academic offices are effective.

## **RECOMMENDATIONS**

### **75. Hire a qualified Director of Student Residence Operations.**

At present, management of residence halls and resident student programs is fragmented. The physical plant section performs housekeeping, residence hall coordinators oversee programs, and the Director of Housing has only limited responsibility and authority. This fragmentation is largely responsible for poor housekeeping and maintenance, insufficient coordination and control of student programs, and inadequate planning for use of residence halls.



A Director of Student Residence Operations should be hired and given full authority over all phases of residence hall activity — student programs as well as custodial and other services. The annual cost of approximately \$15,000 would be justified by improved management.

**76. Establish a retail accounting system for the student bookstore.**

For fiscal 1972, student bookstore sales were \$445,000. Based on available information, the gross profit should have approximated 20% of sales, including a 2% shrinkage and returned book allowance. The actual figure was 18%, representing a variance of approximately \$9,300.

A computerized retail accounting system should be implemented to strengthen inventory controls and provide better sales analysis information. Both would improve efficiency, increasing gross profit by about \$10,000 annually. Implementation would also reduce clerical operations and allow elimination of two full-time positions, for savings of \$12,600 per year. One-time costs to design and implement the system should approximate \$5,000, and annual computer costs would be \$1,000. Net annual savings would thus be \$21,600.

**77. Employ three additional attendants at the steam plant.**

Due to inadequate staffing, the university steam plant is left unattended during a portion of each day, as well as all day on Saturday and Sunday. This is a potentially dangerous situation. Three additional attendants, bringing the total to five, would allow the boilers to be attended full-time. These three positions have been requested and should be allocated. The additional annual personnel expense would be \$18,900.

**University of North Carolina at Greensboro**

The academic program of this university has changed significantly in the past decade. The student body became coeducational, graduate programs expanded to include the Ph.D. degree, and enrollment nearly doubled. Business operations do not appear to have kept pace. Organization and procedures are largely the same as they were 10 years ago. To date, business activities have not caused serious problems, because most are run by capable, long-term employees. However, as the university grows and many key personnel retire, operations could falter unless action is taken. In addition, because of its location in a full employment area, the university has trouble finding craftsmen and laborers. Wages for many of these classifications are as much as 50% higher in the city than allowed under the State Personnel Act.

**RECOMMENDATIONS**

**78. Assess fines for campus parking violations.**

The university police issue approximately 750 parking citations per week. These citations are merely warnings. Other state universities levy fines for similar offenses.

The university should develop and implement a penalty schedule for parking violations. An average fine of \$2 on an estimated 350 tickets per week, with a payment rate of 80%, would yield yearly gross income in excess of \$20,000. One clerk would be needed to administer the program at an expense of \$6,300 per year, for a net annual income of \$13,700. Some of the current parking problems would also be alleviated.

**79. Establish a central receiving facility.**

Items ordered by the purchasing department are delivered by vendors directly to the requesting department. This results in numerous inefficiencies.

A central receiving facility is required. The general stores area could be rearranged for this purpose as an interim measure. Two receiving clerks would be needed, as well as a truck. Receiving reports would be prepared by the purchasing department. Costs would be \$12,600 annually for the clerks, with a one-time expense of \$4,200 for a truck and tape-driven, tandem electric typewriters for preparing purchase orders and receiving reports.

The central facility would speed reconciliation of invoices and shipping and receiving reports and allow the university to take cash discounts. Equipment could be inventoried and tagged at the point of receipt. The facility would also alleviate the traffic problem on campus caused by delivery trucks and eliminate loading docks at the various buildings.

**80. Expand the print shop storage area.**

Half of the print shop's work requires special processing and paper. Its small storage area forces the shop to buy small lots. Approximately 25% of paper costs could be saved by purchasing in larger quantities. Therefore, the print shop storage area should be expanded. Based on fiscal 1972 levels, a saving of \$10,000 annually could be realized. Additional paper stock could be stored in the central store-room facility.

**University of North Carolina at Wilmington**

Begun in 1946 as an extension of UNC at Chapel Hill, this university developed into a 2-year junior college and later into a 4-year college emphasizing the liberal arts. The enrollment and academic program continue to expand, and business operations are generally well run.

The university moved to a new campus in 1961, and the physical plant has been adequately maintained. However, preventive maintenance and housekeeping operations are not as thorough as they should be.

Auxiliary enterprise operations are well managed, and this is one of the few universities with complete written vending machine contracts. There are several areas where charges do not sufficiently offset costs, such as transcript ordering and parking lot upkeep.

The computer system is based on a single terminal of the Triangle University Computer Center and is the best example of this type of operation in the university system. Still, it is small and needs outside help to adequately automate accounting and business records.

## RECOMMENDATION

### 81. Place library administration under direction of the Dean of the Faculty.

The present organization has the librarian reporting directly to the chancellor. There is no longer any reason for this unusual situation. The library should

be placed under the Dean of the Faculty, who is in charge of all other academic affairs. This change will remove an unnecessary burden from the chancellor and provide proper control of the library function.

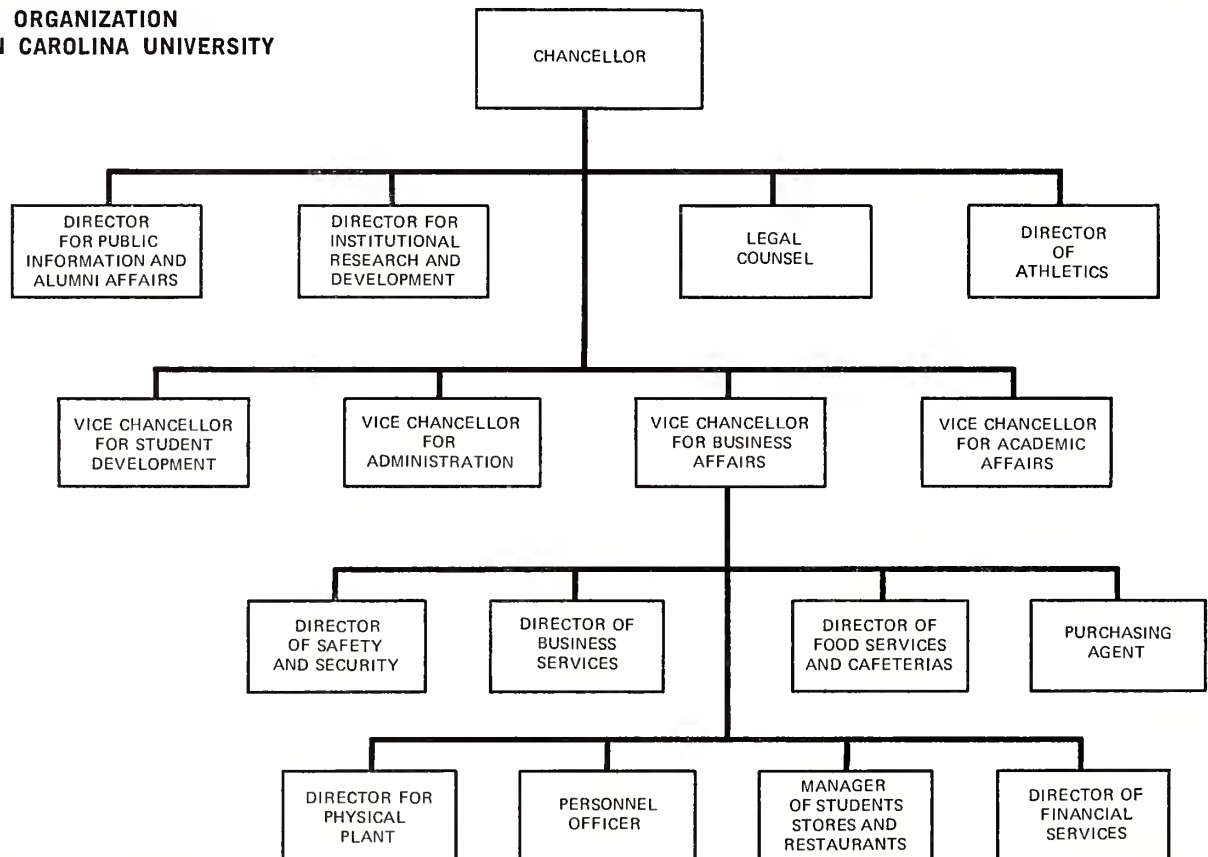
## Western Carolina University

While remaining a strong teacher education institution, this university has expanded its degree programs to include business, the arts and sciences, and health sciences. About 20% of the degrees granted each year are master's degrees.

With enrollment leveling, the university must maximize its utilization of funds and facilities. Under the chancellor, systems are being implemented to provide actual and projected costs of program centers. Consideration is also being given to realignment of certain staff responsibilities.

The university's financial and support services are directed by relatively new administrative personnel. Although improvements have been made in accounting operations, not enough emphasis is placed on automating accounting systems. Support services are essentially well managed, and cafeteria operations are excellent.

## PRESENT ORGANIZATION WESTERN CAROLINA UNIVERSITY



Western Carolina University suffers from the lack of a comprehensive, well-defined plan for developing its physical plant. This is evidenced by a major state road in the middle of the campus and an inadequate sewage treatment facility.

## RECOMMENDATIONS

### 82. Reorganize administrative operations.

Administrators generally agree an effective organization should have no more than five or six staff positions reporting to any individual. As shown in the current organization chart to the left, eight administrators currently report to the chancellor. These include the Vice Chancellors for Business Affairs, Academic Affairs, Student Development, and Administration; the Directors for Public Information and Alumni Affairs, Institutional Research and Development, and Athletics; as well as the Legal Counsel.

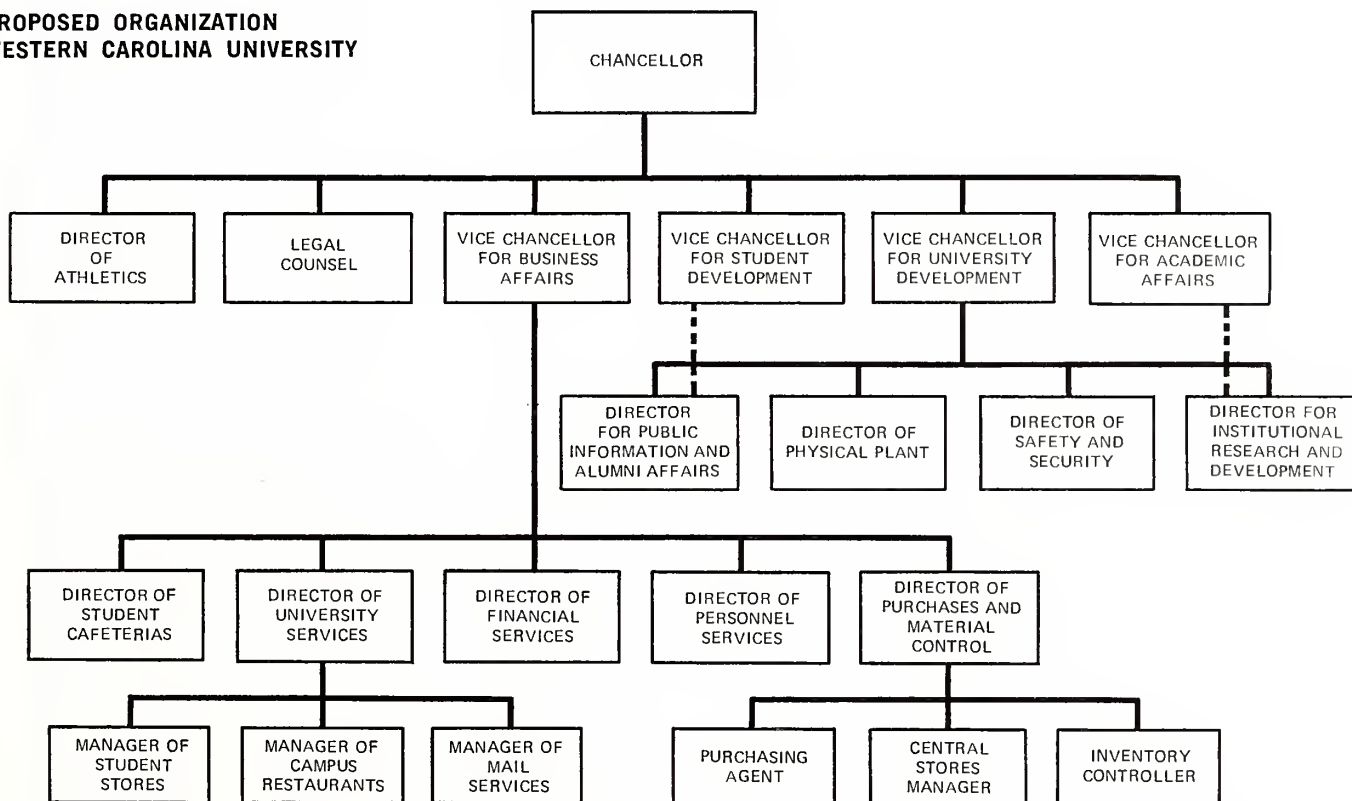
The proposed organization chart, shown directly below, reduces direct reporting relationships to six. The Director for Public Information and Alumni Affairs and the Director for Institutional Research and Development would continue to support all staff personnel. However, they would report to the Vice Chancellor for Administration, who is retitled

Vice Chancellor for University Development. His additional responsibilities will be supervision of safety and security, administration of the physical plant, as well as overall facilities planning, space utilization, and other projects as directed by the university's chancellor.

Further recommended changes include:

- Rename the Director of Food Services and Cafeterias. Director of Student Cafeterias is the suggested title.
- Establish a position of Director of University Services, formerly Director of Business Services, with authority over the Manager of Student Stores, Campus Restaurants, and Mail Services. The manager of the student stores and restaurant presently reports to the Vice Chancellor for Business Affairs. These enterprises are sizeable and complex and should be operated as independent departments under central administration of the Director of University Services.
- Change the Personnel Officer's title to Director of Personnel Services.
- Create a position of Director of Purchase and Material Control to supervise the Purchasing

## PROPOSED ORGANIZATION WESTERN CAROLINA UNIVERSITY





Agent, as well as the Central Stores Manager and Inventory Controller.

The proposed organizational changes will improve the reporting structure and enhance development of middle-management employees. No savings are claimed.

**83. Update radio equipment for the security base and patrol cars.**

Present radio communications equipment is inadequate and not compatible with other area law enforcement agencies. Because of the university's relative isolation, good communications are essential to the campus and students. Adequate radio communication should be provided. The one-time cost would be about \$3,000.

**84. Evaluate converting excess dormitory space into more desirable living quarters or other usable space.**

The dormitories can house 5,748 students. However, the total occupancy projected for the fall of 1973 is 5,200. This will leave 548 vacancies and result in the closing of two and possibly three dormitories. If the third dormitory is closed, it will not have been in operation long enough to repay bonds issued for its construction.

Consideration should be given to the renovation of the excess space into apartments, office space or, as a last resort, storage space. Better utilization should result, but no savings or income can be claimed until options are weighed.

**85. Increase the student book rental fee to \$12 per quarter, and implement better control procedures for adoption and changes of required textbooks.**

The university rents books to students for a fee of \$10 per quarter. This charge has remained constant for several years while textbook and personnel costs have steadily increased. New texts are adopted with the understanding they will be used for a minimum of two years to allow the book exchange to recover costs. This policy is not always followed, however, resulting in an annual loss of about \$12,000 due to obsolescence.

The quarterly rental fee should be increased to \$12. Assuming the current level of rental income, this increased fee should generate additional annual income of \$29,400. Book rental should be formalized and procedures implemented to assure compliance by all faculty members. Annual savings of \$12,000 should result.

**86. Purchase an additional patrol car for the security force.**

The campus security force operates two assigned vehicles 24 hours every day. This does not allow

adequate time for preventive maintenance and repairs. The Director of Safety and Security has no assigned vehicle and lacks the mobility needed to perform his duties effectively. A third radio-equipped car with a 4-year life expectancy should be purchased. It would give the director mobility and allow time for maintenance and repairs on the other two cars. The one-time cost would be about \$4,500.

**87. Install a stand-by, steam-turbine-feed water pump to service the boilers.**

About four times each month, power from the local electric company is interrupted for a few hours, and the electric-feed water pump to the boilers is put out of service. The water drains from the boilers and, after power is restored, they must be allowed to cool for 3 hours before they can be refired. More time is lost after refiring while the boilers build a head of steam.

While the boilers are shut down, the campus is without heat and the cafeteria kitchens cannot prepare hot meals. The purchase and installation of a stand-by steam turbine would provide enough water to keep the boilers in operation during the power interruptions. Estimated costs would be \$12,000. Annual savings in overtime wages would approximate \$9,700.

**88. Sell the off-campus electric power facilities.**

The university purchases electricity wholesale from the local utility company for use on campus and for resale to 1,174 customers in nearby areas not served by the company. The off-campus system needs expensive upgrading, and maintenance costs are increasing as its equipment ages. For fiscal 1973, the off-campus power service had receipts of about \$146,800 and expenses of \$150,500, resulting in a loss of \$3,700. This loss is actually understated, because no allowance is made for the expense of computer billing and inadequate provision is made for administrative expenses.

Attempts should be resumed to sell off-campus system to the local power company, upon completion of an equipment inventory now in progress. The equipment could be sold for \$100,000, if priority is given by the Department of Administration. The state would then receive 6% excise tax on receipts, for additional income to the state of about \$8,800 per year. No increase in rate to the campus is anticipated, and savings of operating expenses would be about \$4,000 per year.

## Winston-Salem State University

This university is accomplishing its basic mission in teacher training, nursing education, and the liberal arts. Its accounting systems are manual but effective,

with the exception of National Direct Student Loan and traffic violation collection operations. The computer center has a card-oriented computer which provides most of the university's student academic-related requirements. The security force's training and communication systems are inadequate, considering the university's urban location. Also, the university's 1968 master plan does not complement the intention of the administration to develop a walking campus.

## **RECOMMENDATIONS**

### **89. Collect traffic violation fines.**

The security officers issue approximately 300 traffic and parking violation tickets per month. The present collecting function performed by the security department results in a 20% collection rate.

Arrangements should be made for payment of fines at the business office, with unpaid violations added to the student's account. Enforcement of this policy would improve traffic control, decrease violations, and generate approximately \$2,400 a year in additional revenue.

### **90. Discontinue the manual parallel billing system for National Direct Student Loans.**

The university currently pays \$5,000 per year to a bank for billing services covering \$1.5-million in student loans. At the same time, it maintains a manual parallel system for control purposes. If outside billing is satisfactory, a clerk could be eliminated. If outside service is unacceptable, it should be terminated. Minimum annual savings of \$5,000 should be realized.

## **North Carolina Memorial Hospital**

The hospital began operation in 1952 as an integral part of the medical school of the University of North Carolina at Chapel Hill. It has grown considerably over the years and is now a large, multi-purpose patient-care facility. In 1971, the hospital was given its own director and board under the President and Board of Governors of the University of North Carolina. It continues as a teaching facility and has many of the characteristics and problems associated with teaching hospitals, such as a large number of out-patients and many indigent patients.

The administration is currently engaged in analysis and revision of managerial procedures. Communications and cooperation between management and personnel are good, with numerous staff meetings and development programs. The majority of the problems encountered have already been recognized by the staff. Corrective action has already been implemented in some areas and is planned for others.

## **RECOMMENDATIONS**

### **91. Evaluate utilization of an on-line computer system to control medical records.**

The medical records section employs 92 persons to manage hundreds of thousands of records. When a record is needed, considerable effort is required to search storage areas, control the record during use, update, and return it. Misplaced files are a continuing problem.

Some hospitals maintain all records on computer files. This is excellent, but not economically feasible without outside financial assistance. An alternative is a small, on-line computer system, with terminals at the various user positions. Such a system would reduce some of the present \$500,000 labor cost and improve reliability.

### **92. Implement an improved patient accounting system and automate records.**

The only accounting records now processed by computer are patient accounting and cash disbursements. Payroll is processed by the university. The present patient accounting system is extremely cumbersome and does not provide timely and meaningful information.

A new patient accounting system should be developed and implemented. A written credit policy should be integrated into the new system and manual accounting records automated. The system would cost an estimated \$500,000 but would allow elimination of 40 personnel for annual savings of \$252,000. Other savings would include more efficient billings and collections. To expedite implementation, the data processing department should report to the hospital's Director of Fiscal Activities. Additional programmers will be required unless programming is contracted.

### **93. Install a perpetual inventory system in the various storerooms as well as a procedure for ordering economic quantities.**

Approximately \$300,000 in inventory is carried in the hospital supply room, the two stockrooms, the physical plant storeroom, and the prosthetic shop. Receipts are recorded but disbursements are not. A card system for recording receipts, disbursements, and economic order quantities should be instituted. An estimated 10% savings in inventory is possible with proper control, for savings of approximately \$30,000 annually.

### **94. Improve stock procedures at nursing stations.**

Each nursing station receives sterile supplies by means of a cart. The 22 carts in service are moved from the nursing stations to a central sterile supply room twice a day for replenishment. In addition, each station has an unrecorded backup inventory.

Backup inventories should be confiscated and nursing stations stocked with a 2-day inventory of expendable sterile supplies. A roving stockman should maintain inventories at the proper level, as is now done in the intensive care wards. Two positions could then be eliminated for annual savings of \$12,600.

**95. Establish a standardized form for state agencies receiving hospital charges.**

State agencies do not use a common form for documentation of hospital charges. This hinders the hospital's billing operation. A standard state form should be developed which would significantly reduce clerical inefficiencies.



# Governor's Efficiency Study Commission



## Digest of Recommendations



# Digest of Recommendations

## RECOMMENDATIONS

## ACTION REQUIRED

## SAVINGS, INCOME OR COST

## ESTIMATED AMOUNT

### Governor's Office

- |  |           |  |  |
|--|-----------|--|--|
| 1. Expand and rearrange the staff area.  | Executive |  |  |
| 2. Revise the method of receiving phone calls.   | Executive |  |  |
| 3. Hold regular staff meetings, and prepare written descriptions of the duties and reporting relationships of each staff member. | Executive |  |  |
| 4. Assign responsibility for the Governor's schedule to one person.  | Executive |  |  |
| 5. Make the positions of legislative liaison and secretary full-time.  | Executive |  |  |
| 6. Coordinate activities of other state departments by assigning each principal staff member to cover several of them.           | Executive |  |  |
| 7. Increase the responsibilities of the Cabinet Secretaries.   | Executive |  |  |
| 8. Prepare a manual covering the duties and qualifications of board and commission members appointed by the Governor.            | Executive |  |  |
| 9. Transfer all extradition work to the Attorney General's Office.   | Executive |  |  |
| 10. Maintain complete prisoner correspondence files at the Parole Board.   | Executive |  |  |

### Lieutenant Governor

- |  |           |  |  |
|--|-----------|--|--|
| 1. Provide the Lieutenant Governor with adequate office space.   | Executive |  |  |
| 2. Investigate legislative and governmental activities to determine those which should be the responsibility of a full-time Lieutenant Governor. | Executive |  |  |

### Department of Administration

- |   |             |               |            |
|---|-------------|---------------|------------|
| 1. Create an office of systems and procedures within the department to implement continuing improvements in all departments.  | Executive   |               |            |
| 2. Establish an interdepartmental advisory council to determine programs, goals, and priorities for all departments of state government.                                    | Legislative |               |            |
| 3. Authorize the department to establish guidelines for vehicle assignment, optimum utilization procedures, and an auditing application to ensure adherence to regulations. | Executive   |               |            |
| 4. Transfer the North Carolina Zoological Authority to the Office of Recreation Resources.  | Legislative |               |            |
| 5. Purchase compact-size motor vehicles.  | Executive   | Annual Saving | \$ 265,000 |



RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
<b>Office of the Budget</b>			
6. Allow agency directors flexibility to spend certified appropriations by programs, as long as the total appropriation for each purpose is not exceeded.	Legislative		
7. Centralize disbursing and accounting for agencies on warrant account within the Disbursing Division.	Executive	Annual Saving One-time Cost	\$ 724,500 \$ 40,000
8. Prepare future state budgets in two volumes.	Executive		
<b>Office of State Property and Construction</b>			
9. Require all state leasing contracts be submitted for approval prior to signing.	Executive	Annual Saving	\$ 49,000
10. Construct a proposed office building to reduce needs for rented office space in Raleigh.	Legislative		
11. Construct proposed office buildings in Charlotte and Winston-Salem.	Legislative		
12. Construct office buildings in five cities where the state rents more than 10,000 square feet.	Legislative	Annual Saving One-time Cost	\$ 75,000 \$2.06-million
13. Conduct regular evaluations of rentals to better determine whether to build or rent, and provide funding in the capital improvement budget.	Executive		
14. Reduce the engineering staff to a minimum level in each skill area and supplement with outside help as required.	Executive	Annual Saving	\$ 41,000
15. Eliminate the Capital Building Authority.	Legislative	Annual Saving	\$ 5,000
16. Require annual long-range land utilization plans to be submitted by each agency to the Property Control Group of this office.	Executive		
17. Update maps and plats showing state-owned properties.	Executive		
18. Expedite planning for the construction of a 200,000-square-foot office structure in the government center.	Legislative	One-time Cost	\$ 300,000
<b>Office of Purchase and Contract</b>			
19. Reorganize the office to effectively concentrate purchasing power.	Executive	Annual Saving	\$ 10-million
20. Modify purchasing forms and procedures to improve efficiency.	Executive	Annual Saving	\$ 300,000
21. Establish a centrally located catalog library.	Executive		
22. Change the accountability of purchasing personnel in agencies, institutions, and community colleges to require compliance with all central purchasing rules and regulations.	Legislative		
23. Adopt modern value analysis techniques.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
24. Change purchasing manual policy in regard to negotiation.	Executive		
25. Organize and operate a self-service store for distribution of office supplies.	Executive	Annual Saving	\$ 15,000
26. Adopt firm regulations to ensure Quality Analysis and Engineering has sufficient authority to effectively perform its function.	Executive		
27. Install an adequate automated data processing system.	Executive		
28. Change the law requiring bids to be advertised in newspapers for 10 days.	Legislative	Annual Saving	\$ 3,900
29. Change the procedure for awarding purchase orders and contracts exceeding \$2,500.	Legislative		
30. Reduce the number of administrative and clerical personnel.	Executive	Annual Saving	\$ 113,200
31. Instruct all agencies, institutions, community colleges, and local boards of education to utilize blanket orders.	Executive		
32. Organize and enforce a program of inventory management.	Executive		
33. Relocate the state surplus distribution center to provide additional space.	Legislative	One-time Cost	\$ 500,000
Office of State Planning			
34. Improve efficiency by filling vacant positions.	Executive	Annual Saving	\$ 150,000
35. Eliminate the Regional Programs Section.	Executive	Annual Saving	\$ 36,000
36. Develop and implement procedures for staff review of those projects completed by outside consultants.	Executive		
37. Forward invoices to the federal government for reimbursement monthly.	Executive	Annual Income	\$ 500
Office of Management Systems			
38. Improve data processing services to state general government through a phased plan of redirecting management and coordinating use of equipment and personnel.	Executive	Annual Saving	\$ 2-million
39. Improve operations in the Administration Computer Center.	Executive		
Office of State Personnel			
40. Establish a personnel unit in each of the 17 state departments reporting to the department administrator with functional responsibility to the Office of State Personnel.	Legislative		
41. Make department personnel sections responsible for job classification, subject to final approval by the Office of State Personnel.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
42. Revise the present method of compensating state employees.	Executive		
43. Establish geographic wage differentials for hourly and nonexempt jobs.	Executive		
44. Abolish the office's interviewing role in favor of consulting.	Executive		
45. Delete automatically any job which remains vacant for 90 days.	Executive		
46. Revise the existing vacation policy.	Executive	Annual Saving	\$ 572,000
47. Revise the present sick-leave program.	Executive		
48. Establish a compulsory retirement system.	Legislative		
49. Give the Office of State Personnel responsibility for making recommendations on fringe benefits.	Legislative		
50. Adopt a clear and definite policy to determine exemptions from the Personnel Act.	Executive		

#### Office of General Services

51. Reorganize the office.	Executive		
52. Establish a service crew system for providing maintenance.	Executive	Annual Cost Avoidance	\$ 103,000
53. Establish a maintenance training program.	Executive		
54. Establish a preventive maintenance system to reduce breakdowns.	Executive		
55. Establish a central duplicating center.	Executive	Annual Saving	\$ 315,000
56. Reduce the number of mail rooms in the Administration and Albemarle Buildings.	Executive	Annual Saving	\$ 63,000
57. Extend the courier mail service to serve 64 cities.	Executive		
58. Consolidate the messenger and courier services into one operation.	Executive	Annual Saving	\$ 75,000
59. Establish a central post office in the planned government complex.	Executive		
60. Reorganize the Housekeeping Section to provide better service at lower cost.	Executive	Annual Saving Annual Cost Avoidance	\$ 42,000 \$ 41,500
61. Automate seven existing manual elevators in the Highway, Education, Old Health, and Revenue Buildings, and eliminate two elevator operators on automatic elevators in the Justice Building.	Executive	Annual Saving One-time Cost	\$ 45,000 \$ 126,000
62. Include plans for a state-owned cafeteria in the proposed government center.	Legislative		
63. Organize a Forms Management Center.	Executive		



RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
<b>Central Motor Pool</b>			
64. Eliminate commuting abuses.	Executive	Annual Saving	\$ 113,300
65. Discourage the use of credit cards to buy gasoline at commercial stations and limit the amount of such purchases.	Executive		
66. Reduce the number of dispatchers at the motor pool annex.	Executive	Annual Saving	\$ 4,800
<b>Office of State-Federal Relations</b>			
67. Transfer the Environmental Education and Beautification Program to the Department of Natural and Economic Resources.	Executive	Annual Saving	\$ 36,000
68. Combine the Office of State-Federal Relations with the Office of State Planning.	Legislative	Annual Saving	\$ 45,000
<b>Department of State</b>			
1. Relocate the Secretary of State and his staff in the Administration Building with other employees of the department.	Executive	Annual Saving	\$ 7,800
2. Transfer land grant records to the Office of Archives and History.	Executive		
3. Move the Board of Elections' staff to the Administration Building.	Executive	Annual Saving	\$ 5,000
4. Increase the annual registration fee for securities dealers and salesmen.	Legislative	Annual Income	\$ 26,200
5. Reduce the number of copies of Session Laws printed each biennium.	Executive	Annual Saving	\$ 2,000
6. Charge suspended corporations a fee of \$25 for reinstatement.	Legislative	Annual Income	\$ 15,000
7. Reduce clerical staff by cross-training in more than one division.	Executive	Annual Saving	\$ 12,600
<b>Department of State Treasurer</b>			
1. Move all divisions into one building.	Executive	Annual Saving	\$ 252,000
2. Transfer escheat enforcement and collection responsibility to the Department of Revenue.	Legislative	Annual Income One-time Income	\$ 500,000 \$ 2-million
3. Discontinue numerical filing of paid bearer-bond coupons, and determine outstanding interest coupons on a batch basis.	Executive	Annual Saving	\$ 9,500
4. Consolidate all retirement systems within the Department of State Treasurer.	Legislative	Annual Saving Annual Income	\$ 25,200 \$ 20,500
5. Combine all posting for retirement systems, health benefits, and social security.	Executive	Annual Income Annual Cost Avoidance	\$ 20,000 \$ 6,300
6. Consolidate all areas where monies are received into a central collecting, verifying, and depositing area.	Executive	Annual Cost Avoidance	\$ 12,600

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
<b>Department of Revenue</b>			
1. Add a deputy commissioner with responsibility for collection of taxes.	Executive	Annual Cost Avoidance	\$ 25,000
<b>Accounting Division</b>			
2. Establish a post office box for all large accounts which pay taxes in amounts of \$5,000 or more.	Executive	Annual Income	\$ 225,500
3. Revise the work flow in processing individual income tax refunds.	Executive	Annual Saving	\$ 6,300
4. Purchase a bursting machine that will simultaneously affix signatures.	Executive	Annual Saving One-time Cost	\$ 2,000 \$ 4,000
5. Upgrade the minimum penalty imposed on a taxpayer for submitting a bad check.	Executive	Annual Income	\$ 11,500
6. Enforce fire regulations by posting No Smoking signs and installing a fire extinguisher in the vault.	Executive		
<b>Individual Income Tax Division</b>			
7. Consider licensing and regulating professional tax preparers.	Legislative		
8. Allow the filing of consolidated returns for husband and wife.	Legislative	Annual Saving	\$ 500,200
9. Reorganize clerical units in the tax processing and withholding sections.	Executive	Annual Saving	\$ 19,500
<b>Privilege License, Beverage and Cigarette Tax Division</b>			
10. Establish a \$5 minimum monthly penalty for delinquent gross receipts taxpayers.	Legislative	Annual Income	\$ 4,700
11. Rewrite the form letter to delinquent gross receipts tax accounts.	Executive	Annual Saving	\$ 2,500
12. Increase or eliminate the privilege taxes on dispensing machines, shoeshine chairs, and outdoor advertising.	Legislative	Annual Income	\$ 130,300
13. Eliminate double-balancing of applications for licenses.	Executive		
14. Eliminate five clerical jobs and one administrative position.	Executive	Annual Saving	\$ 44,000
<b>Intangibles Tax Division</b>			
15. Assess the negligence penalty uniformly.	Executive	Annual Income	\$ 40,000
16. Enclose intangibles tax forms and instructions in the individual income tax booklet.	Executive	Annual Income	\$ 762,000
17. Eliminate the taxpayer card file and assignment of control numbers when the department's master file is implemented.	Executive	Annual Saving	\$ 6,300

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
Corporate Income and Franchise Tax Division			
18. Provide new corporations with tax forms for their first annual filing.	Executive		
19. Mail a questionnaire to tax-exempt, nonfiling, nonprofit corporations every 2 years to determine their current status and functions.	Executive		
20. Eliminate use of supervisory and audit personnel for processing mail.	Executive	Annual Income	\$ 30,000
21. Increase the minimum penalty for failure to pay tax when it is due.	Legislative	Annual Income	\$ 20,000
22. Perform field audits on gross receipts tax returns and on allocation and apportionment of income and property.	Executive	Annual Income	\$ 100,000
Sales and Use Tax Division			
23. Increase the retail license fee to \$5.	Legislative	Annual Income	\$ 96,800
24. Raise the annual wholesale license fee to \$25.	Legislative	Annual Income	\$ 285,000
25. Develop microfilm procedures for sales and use tax reports as well as taxpayers' applications for registration.	Executive	Annual Saving	\$ 23,200
		One-time Cost	\$ 25,000
State Board of Assessments/Ad Valorem Tax Division			
26. Develop an appraisal manual for use on a statewide basis.	Legislative	Annual Saving	\$ 134,300
		One-time Cost	\$ 20,000
27. Determine the feasibility of substituting an excise tax for the personal property tax on automobiles.	Legislative		
Audit and Collection Division			
28. Employ eight additional auditors to provide adequate auditing coverage.	Executive	Annual Income	\$ 395,200
29. Establish a training curriculum for collectors and auditors, and follow up with periodic meetings led by district supervisors.	Executive		
Tax Research Division			
30. Replace six adding machines with electronic tape calculators.	Executive	One-time Cost	\$ 1,600
31. Reclassify five clerical positions.	Executive	Annual Saving	\$ 10,000
Department of Military and Veterans' Affairs			
1. Eliminate the Department of Military and Veterans' Affairs.	Legislative	Annual Saving	\$ 134,300
2. Provide centralized recordkeeping and control of all property record books.	Executive	Annual Saving	\$ 6,000



RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
<b>State Civil Defense Agency</b>			
3. Eliminate the area offices.	Executive	Annual Saving	\$ 90,000
		Annual Saving (Federal)	\$ 90,000
4. Eliminate the Radiological Instrument Maintenance Program.	Executive	Annual Saving	\$ 43,000
5. Combine secretarial services for the director and assistant director.	Executive	Annual Saving	\$ 6,300
6. Restructure the agency to combine engineering, damage analysis, and community shelter functions under one position.	Executive	Annual Saving	\$ 11,000
<b>Adjutant General's Office</b>			
7. Eliminate the Assistant Adjutant General's position as a full-time state position.	Executive	Annual Saving	\$ 22,500
8. Stop awarding military pay during emergencies to National Guard personnel who receive state pay for the same period.	Executive	Annual Saving	\$ 4,500
9. Revise the method of allocating state funds for armory maintenance and expenses.	Legislative		
10. Eliminate the Director of Training.	Executive	Annual Saving	\$ 20,000
<b>Department of Veterans' Affairs</b>			
11. Transfer Veterans' Affairs to the Department of Human Resources.	Legislative	Annual Saving	\$ 33,000
12. Provide a centralized, protected storage space for veterans' records.	Executive		
13. Eliminate grants of \$1,000 for support of county veterans' affairs officers.	Legislative	Annual Saving	\$ 94,000
14. Eliminate the positions of Administrative Officer and Administrative Assistant.	Executive	Annual Saving	\$ 21,000
<b>Department of Commerce</b>			
1. Consolidate the nine divisions.	Executive	Annual Saving	\$ 35,200
<b>Regulatory Groups — State-Funded</b>			
2. Charge \$1 for registration stamps issued by the Utilities Commission for annual common carrier motor vehicle registration.	Legislative	Annual Income	\$ 25,000
3. Transfer duties of the Industrial Commission's safety division to the Department of Labor.	Legislative	Annual Cost Avoidance	\$ 68,000
4. Improve statistical reports developed by the Industrial Commission.	Executive		
5. Change the position of Chairman of the Rural Electrification Authority to a part-time status.	Legislative	Annual Saving	\$ 15,000

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
<b>Regulatory Groups—Non-State Funded</b>			
6. Implement the recommendations presented in a recent study of Banking Commission office procedures.	Executive		
7. Develop a program for savings and loan examiner training.	Executive	Annual Cost	\$ 10,000
8. Stop licensing new mutual burial associations.	Legislative		
9. Transfer the auditing of mutual burial associations and perpetual care cemeteries to another group within the department.	Executive	Annual Saving	\$ 38,000
10. Eliminate one auditor position in the Milk Commission.	Executive	Annual Cost Avoidance	\$ 11,000
<b>Board of Alcoholic Control</b>			
11. Restructure the existing organization.	Executive		
12. Reduce the number of automobiles assigned to personnel at the main office.	Executive		
13. Increase the fee for retail beer and wine permits and establish a reasonable charge for annual renewal.	Legislative	Annual Income	\$ 315,000
14. Develop and administer initial and recurring training programs for ABC officers.	Executive		
15. Schedule hearings at the local level.	Executive	Annual Saving	\$ 13,000
16. Stagger the terms of board members.	Legislative		
17. Develop long-range alternatives to fulfill the responsibility of state warehousing and distribution of liquor.	Executive		
18. Utilize lower-level personnel in the metropolitan areas to conduct investigatory work on permit applications.	Executive	Annual Cost Avoidance	\$ 22,000
19. Delist slow-moving items.	Executive		
20. Utilize Highway Patrol maintenance facilities for servicing ABC officers' vehicles.	Executive	Annual Cost Avoidance	\$ 17,000
21. Encourage rescheduling of working hours to reduce the total work force.	Executive		
22. Promote conversion of high-volume retail outlets to self-service stores.	Executive		
<b>Employment Security Commission</b>			
23. Transfer the Automated Data Processing Department from Unemployment Insurance to Administrative Services.	Executive		
24. Transfer the Wage Report and Delinquency Control Unit to Unemployment Insurance, and realign the Key punch and Tabulation Equipment Units to report to the Computer Operations Manager.	Executive	Annual Saving	\$ 43,400

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
25. Reduce the daily computer work load by consolidating jobs which could be accomplished satisfactorily on a less frequent basis.	Executive	Annual Saving	\$ 21,300
26. Convert data processing applications currently being run on tabulation equipment to the computer.	Executive	Annual Saving	\$ 14,600
27. Employ rental and third-party lease arrangements rather than direct purchase in the acquisition of computer equipment.	Executive		
28. Encourage automated reporting of wage information by major employers.	Executive	Annual Saving	\$ 26,900
29. Improve security and fire protection in the computer room.	Executive		
30. Consolidate the main supply rooms.	Executive	Annual Saving	\$ 14,300
31. Perform addressing and check writing functions on the computer.	Executive	Annual Saving One-time Income	\$ 14,000 \$ 1,000
32. Restrict issuance of debit or credit memos to amounts of \$5 or more.	Legislative	Annual Saving	\$ 13,000
33. Reassign office space to improve utilization of stenographic personnel.	Executive	Annual Saving	\$ 6,300
34. Combine the Systems and Procedures Unit of Unemployment Insurance with the Management Analysis Unit of Employment Service and place the consolidated unit under Administrative Services.	Executive	Annual Saving	\$ 18,000
35. Purchase dictating equipment for use in the counsel's office.	Executive	Annual Saving One-time Cost	\$ 21,000 \$ 2,000

## Department of Labor

1. Eliminate the department's biennial report.	Executive	Annual Saving	\$ 2,500
2. Eliminate two typist positions.	Executive	Annual Saving	\$ 12,600
3. Increase the Boiler Certificate Fee to \$4.	Executive	Annual Income	\$ 36,300
4. Repeal General Statute 74-14, which requires mineral commodity statistics to be accumulated by the department.	Legislative	Annual Saving	\$ 1,400
5. Establish a record retention system with clearly defined destruction times.	Executive	One-time Cost Avoidance	\$ 1,000
6. Transfer responsibility for the Child Labor Law and child work permits to the Employment Security Commission.	Legislative	Annual Saving	\$ 6,300
7. Eliminate the position of Administrative Officer for the Apprenticeship Division.	Executive	Annual Saving	\$ 11,900

## Department of Social Rehabilitation and Control

1. Reorganize the department.	Executive	Annual Saving	\$ 357,700
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RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
2. Eliminate 50 specific vacant positions, as well as all other vacancies which cannot be filled or justified within a 90-day period.	Executive	Annual Cost Avoidance	\$ 580,600
3. Upgrade the quality of food and decrease the cost of meals served.	Executive	Annual Saving	\$ 103,500
4. Institute a third-party lease-back arrangement for major items of computer equipment.	Executive	Annual Saving	\$ 27,400
5. Install a computer terminal inquiry system for automated inmate records.	Executive	Annual Saving	\$ 41,000
6. Build a new meat processing facility.	Legislative	Annual Saving One-time Cost	\$ 449,000 \$ 1.5-million
7. Establish petty cash funds at field units and batch all other invoices at the central accounting level.	Executive	Annual Saving	\$ 12,600
<b>Office of Correction</b>			
8. Reorganize the Office of Correction to improve operations.	Executive		
9. Eliminate regional administration offices and staffs.	Executive	Annual Saving	\$ 1.4-million
10. Raise the per diem charge for inmates on the work release program.	Executive	Annual Income	\$ 553,300
11. Charge counties actual amounts for custody services and establish procedures for timely collection and billing.	Legislative		
12. Deposit work release funds in an interest-bearing account.	Executive		
13. Revamp bus routes in transferring inmates and control the operation from a central transfer point.	Executive	Annual Saving	\$ 19,200
14. Raise staff housing rental rates to recover more of the maintenance cost.	Executive	Annual Income	\$ 22,500
15. Eliminate the Commission of Corrections.	Legislative		
16. Expand the auto mechanics school at Polk Youth Center.	Executive	Annual Saving	\$ 45,000
17. Reorganize health services operations and budgeting.	Executive		
18. Update health personnel salaries annually and increase the use of physician associates.	Executive	Annual Cost	\$ 120,000
19. Develop regional health centers.	Executive		
20. Close the present health facilities at the Correctional Center for Women.	Executive		
21. Install or provide necessary medical and dental equipment.	Executive	One-time Cost	\$ 40,000
22. Correct the design of the health facility at the Western Correctional Center.	Legislative		

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
23. Provide adequate reference material at all sites employing health personnel.	Executive	Annual Cost One-time Cost	\$ 1,000 \$ 5,000
24. Standardize procedures for performance evaluation and payment of medical and dental consultants.	Executive		
<b>Office of Youth Development</b>			
25. Close farm operations at six correctional schools and sell dairy livestock, beef animals, swine, and related movable equipment.	Executive	Annual Saving One-time Income	\$ 480,000 \$ 541,500
26. Close two training schools and consolidate their functions within other existing correctional institutions.	Legislative	Annual Saving	\$1.56-million
27. Consider disposing of farm properties and two training institutions.	Executive	One-time Income	\$1.16-million
28. Convert food service purchasing and administration in nonfarm schools to a centralized master menu system.	Executive	Annual Saving	\$ 45,000
29. Close the laundry operations in correctional schools and utilize prison service.	Executive	Annual Saving One-time Income	\$ 36,100 \$ 61,100
30. Cease funding the construction of new staff housing.	Legislative		
31. Raise staff housing rental rates to levels comparable to local housing costs.	Executive	Annual Income	\$ 56,300
32. Abolish the Board of Youth Development.	Legislative	Annual Saving	\$ 3,000
33. Eliminate the accounting clerk and warehouse manager positions at the training schools.	Executive	Annual Saving	\$ 121,000
34. Eliminate four assistant director positions.	Executive	Annual Saving	\$ 60,200
35. Eliminate one cottage life director at the Juvenile Evaluation Center.	Executive	Annual Saving	\$ 11,900
<b>Enterprises Revolving Fund</b>			
36. Transfer direct responsibility for correctional enterprises to the Secretary of Social Rehabilitation and Control.	Executive		
37. Install automatic fire protection devices in warehouses and manufacturing facilities.	Executive		
38. Maximize Caledonia cannery production in order to pass along additional savings to state institutions.	Executive	Annual Income	\$ 249,700
39. Close the Pender County swine operation.	Executive	Annual Saving	\$ 43,600
<b>Office of Parole/Probation</b>			
40. Consolidate and reorganize the Parole and Probation Offices.	Legislative		

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
41. Merge the division offices.	Legislative	Annual Saving	\$ 426,100
42. Combine the duties of parole and probation officers.	Legislative		
43. Computerize records.	Executive	Annual Saving	\$ 207,900
44. Eliminate the Board of Probation.	Legislative		
45. Increase the membership of the Commission of Paroles to five.	Legislative	Annual Cost	\$ 42,000

## Department of Art, Culture, and History

1. Dispense with the four teletype machines used for the North Carolina Libraries Services Network.	Executive	Annual Saving	\$ 3,400
2. Reduce payments made to three universities for their participation in the North Carolina Libraries Services Network.	Executive	Annual Saving	\$ 50,000
3. Obtain specific price discounts for all categories of books from jobbers and publishers.	Executive	Annual Saving (Local)	\$ 7,500
4. Obtain a direct line of communication with all jobbers to speed resolution of questions and problems.	Executive	Annual Saving (Local)	\$ 7,500
5. Implement a new method of protecting books with plastic covers.	Executive	Annual Saving One-time Cost	\$ 9,000 \$ 2,000
6. Install signal buzzers and/or lights for the book elevator in the stacks.	Executive	One-time Cost	\$ 2,000
7. Combine physical distribution systems for all films having wide circulation.	Executive	Annual Saving	\$ 40,000
8. Perform a study of state records management with the aim of minimizing storage space.	Executive		
9. Increase the efficiency of the State Records Section in determining the disposition of state agency records.	Executive	Annual Cost	\$ 22,000
10. Improve security in the search room.	Executive		
11. Initiate safety measures for storage and use of hazardous chemicals.	Executive		

## Department of Human Resources

1. Reorganize the Department of Human Resources into five major divisions.	Legislative	Annual Saving	\$ 502,000
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## Board of Health

2. Increase the annual fee for bacteriological surveillance of public water supplies to \$100 and institute a \$100 surcharge for samples submitted more than two weeks late.	Legislative	Annual Income	\$ 169,100
3. Recover costs of annual chemical surveillance of all public water supplies with a \$180 fee for this service.	Legislative	Annual Income	\$ 432,000



RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
4. Establish a fee to cover costs for licensing installations which work with radiation.	Executive	Annual Income	\$ 12,400
5. Eliminate three positions in the Epidemiology Division.	Executive	Annual Cost Avoidance	\$ 29,400
6. Combine the Dental Health Division's printing operation with a similar unit of the Administrative Services Division.	Executive	Annual Saving	\$ 13,400
7. Abolish an Associate Chief Medical Examiner position.	Executive	Annual Saving	\$ 38,400
8. Transfer all billing functions to the Budget and Accounting Section, and record accounts receivable and payable as they occur.	Executive	Annual Saving	\$ 12,600
9. Abolish all positions which have been vacant for 90 days or longer.	Executive	Annual Cost Avoidance	\$ 60,200
		Annual Cost Avoidance (Federal)	\$ 141,600
10. Reduce the administrative work load of regional offices.	Executive		
11. Determine the feasibility of eliminating vital records storage and certification at each county's Register of Deeds Office.	Executive		
12. Develop a long-range plan for data processing and statistical information systems.	Executive		

#### Department of Mental Health Services

13. Increase staff cafeteria charges to cover the costs of this service.	Executive	Annual Saving	\$ 712,300
14. Raise staff housing rental rates.	Executive	Annual Income	\$ 489,400
15. Eliminate state-operated canteens, and enter into contract agreements for this service.	Executive	One-time Income	\$ 151,700
16. Eliminate vacant positions at state mental health institutions.	Executive	Annual Cost Avoidance	\$ 1.7-million
17. Purchase two pallet trucks for the Caswell Center warehouse.	Executive	Annual Saving	\$ 25,100
		One-time Cost	\$ 2,400
18. Stop making apparel which can be purchased ready-made at less than production cost.	Executive	Annual Saving	\$ 165,800
19. Collect charges legally due from patients who are able to pay.	Executive	Annual Income	\$ 6.2-million
20. Close farm operations at five mental health institutions.	Executive	One-time Income	\$ 1.5-million
21. Dispose of farm properties.	Executive	One-time Income	\$13.4-million
22. Require all mental health superintendents to have business administration experience or a hospital administration degree.	Legislative		

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
23. <b>Implement an effective drug distribution control system.</b>	Executive	Annual Saving	\$ 619,100
24. <b>Merge the Butner central services with John Umstead Hospital, and cease providing fire and police protection to the town of Butner.</b>	Executive	Annual Saving	\$ 143,000
25. <b>Close the forensic unit at Cherry Hospital.</b>	Executive	Annual Saving	\$ 392,300
<b>Department of Social Services</b>			
26. <b>Reorganize the office to improve services and make them more responsive to need.</b>	Executive	Annual Saving	\$ 235,400
		Annual Saving (Federal)	\$ 353,200
27. <b>Adopt automated methods of records and files management.</b>	Executive	Annual Saving	\$ 41,500
		One-time Cost	\$ 35,000
		Annual Saving (Federal)	\$ 27,800
28. <b>Charge a fee to recover costs of licensing organizations for solicitation.</b>	Legislative	Annual Income	\$ 50,000
29. <b>Establish a hospital admissions review section to eliminate unnecessary admissions and reduce lengthy stays.</b>	Executive	Annual Saving	\$ 2.2-million
		Annual Saving (Federal)	\$ 6.9-million
		Annual Saving (Local)	\$ 377,600
30. <b>Establish adequate medical care facilities and make periodic medical reviews of all public assistance recipients who are residing in these facilities.</b>	Legislative	Annual Saving	\$ 423,900
		Annual Saving (Federal)	\$ 1.3-million
		Annual-Saving (Local)	\$ 73,700
31. <b>Require all third-party, co-insurance medical payments for Medicaid recipients to be collected by the Department of Social Services.</b>	Executive	Annual Saving	\$ 678,000
		Annual Saving (Federal)	\$ 2.2-million
		Annual Saving (Local)	\$ 119,000
32. <b>Transfer financial functions of the Disability Determination Division to the Comptroller.</b>	Executive	Annual Saving (Federal)	\$ 45,000
33. <b>Eliminate welfare commodity distribution systems and convert to a state-wide food stamp program.</b>	Executive	Annual Income	\$ 648,000
		Annual Income (Local)	\$ 216,000
34. <b>Establish a team to review and audit Medicaid providers' claims.</b>	Executive	Annual Saving	\$ 1.1-million
		Annual Saving (Federal)	\$ 3.3-million
		Annual Saving (Local)	\$ 183,500
35. <b>Expand staff to locate and require fathers to provide support for dependent children.</b>	Executive	Annual Saving	\$ 513,200
		Annual Saving (Federal)	\$ 2.3-million
		Annual Saving (Local)	\$ 581,700

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
36. Initiate a flat grant payment system for AFDC recipients.	Legislative	Annual Saving Annual Saving (Federal) One-time Cost Avoidance One-time Cost Avoidance (Local)	\$ 821,000 \$ 1.2-million \$17.2-million \$17.2-million
37. Establish two word processing centers.	Executive	Annual Saving Annual Saving (Federal) Annual Cost Avoidance (Federal)	\$ 30,900 \$ 48,300 \$ 376,000
Division of Vocational Rehabilitation			
38. Restructure the staff.	Executive	Annual Saving	\$ 54,000
39. Move more patients from retardation centers and mental health hospitals to community-sponsored vocational workshops.	Executive		
Commission for the Blind			
40. Disband the nine-member board of directors.	Legislative	Annual Saving	\$ 3,000
41. Adopt the proposal to reorganize the Business Enterprises Program.	Executive	Annual Cost Avoidance	\$ 534,000
42. Consolidate Social Services with the field operations of Rehabilitation Services.	Executive	Annual Saving	\$ 75,000
43. Provide operating funds to social workers so they can purchase transportation services for their clients.	Executive	Annual Saving	\$ 30,000
44. Reduce the number of social workers in anticipation of declining activity.	Executive	Annual Saving	\$ 70,000
45. Incorporate performance standards into Social Services' cost records.	Executive	Annual Cost One-time Cost	\$ 4,000 \$ 5,800
46. Improve utilization of the Butner Rehabilitation Center.	Executive		
47. Improve the cost effectiveness of managing concession stands by reducing the frequency of supervisors' visits.	Executive	Annual Saving	\$ 56,000
48. Simplify accounting for concession stands.	Executive	Annual Saving	\$ 12,600
49. Collect federal matching funds for indirect costs of treating Medicaid patients in commission-sponsored eye clinics.	Executive	Annual Saving	\$ 38,500
50. Streamline the processing of invoices for vendor payments.	Executive	Annual Saving	\$ 12,600
Medical Care and Institutional Services			
51. Close the Western North Carolina Tuberculosis Sanatorium and transfer its patients to the remaining three sanatoriums.	Executive	Annual Saving	\$ 2.3-million



RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
52. Dispose of assets of the Western Sanatorium.	Executive	One-time Income	\$ 585,000
53. Sell the seven employee houses located on the southern edge of the Western Sanatorium property.	Executive	One-time Income	\$ 105,000
54. Project cost figures and establish sanatorium patient fees which reflect current expenses as nearly as possible.	Executive	Annual Income	\$ 237,600
55. Establish prices in sanatorium employee cafeterias which more closely approximate the costs involved.	Executive	Annual Income	\$ 100,000
56. Increase rent for state-owned housing on North Carolina Sanatorium property.	Executive	Annual Income	\$ 22,400
57. Eliminate 14 dietary positions at Eastern North Carolina Sanatorium.	Executive	Annual Saving	\$ 63,400
58. Abolish 10 housekeeping aides' positions at Eastern North Carolina Sanatorium.	Executive	Annual Saving	\$ 46,000
59. Eliminate 36 positions after consolidation of the Governor Morehead School's downtown and Garner Road campuses.	Executive	Annual Saving	\$ 22,000
60. Utilize for other purposes, or sell, excess land at the Garner Road campus of the Governor Morehead School.	Executive	One-time Income	\$ 1-million
61. Continue sending deaf-blind children to regional schools instead of developing identical in-state programs.	Executive	Annual Cost Avoidance	\$ 130,000
62. Close the school-operated laundry and contract with the Central State Prison for service.	Executive	Annual Saving	\$ 32,000
63. Reduce the scope of medical services offered on campus.	Executive	Annual Saving	\$ 29,000
64. Coordinate vocational training programs with the Commission for the Blind to obtain maximum federal participation.	Executive	Annual Saving	\$ 24,000
65. Reorganize the schools for the deaf to provide efficient operation as a consolidated unit.	Legislative	Annual Saving	\$ 27,000
66. Establish a central business office.	Executive	Annual Saving	\$ 30,000
67. Centralize responsibility for educational media production, and eliminate duplication of facilities.	Executive	One-time Cost Avoidance	\$ 215,000
68. Change weekend operating schedules at the central and eastern schools to conform with Morganton policy.	Executive	Annual Saving	\$ 129,600
69. Reduce dormitory attendants at the central school.	Executive	Annual Saving	\$ 60,000
70. Utilize the Eastern North Carolina Sanatorium in place of the infirmary at the Eastern School for the Deaf.	Executive	Annual Saving	\$ 33,000

## Department of Transportation

### Assistant Secretary for Management

- |  |           |  |  |
|--|-----------|--|--|
| 1. Transfer control of central equipment operations to the Office of the Assistant Secretary for Management. | Executive |  |  |
|--|-----------|--|--|

#### Personnel

- |   |           |                       |            |
|---|-----------|-----------------------|------------|
| 2. Eliminate all job vacancies within the department which remain vacant for a 90-day period.                                   | Executive | Annual Cost Avoidance | \$ 630,000 |
| 3. Abandon plans to employ four EEO field representatives.  | Executive | Annual Cost Avoidance | \$ 40,000  |
| 4. Require personnel who operate vehicles and equipment or perform manual labor to have a physical examination prior to hiring. | Executive |                       |            |
| 5. Reduce the staff in the central personnel office.  | Executive | Annual Saving         | \$ 26,500  |

#### Automated Data Processing

- |  |           |               |           |
|--|-----------|---------------|-----------|
| 6. Restructure the data processing section in the Highway Commission to serve the overall needs of the commission. | Executive |               |           |
| 7. Replace keypunch equipment in the Highway Commission.   | Executive | Annual Saving | \$ 47,900 |
| 8. Eliminate the Assistant Computer Operations Manager's position.   | Executive | Annual Saving | \$ 15,000 |
| 9. Establish a data control group in the Highway Commission's ADP operations section.                              | Executive |               |           |
| 10. Introduce security procedures in data processing centers.  | Executive |               |           |
| 11. Improve procedures in the Highway Commission's ADP operations section.   | Executive |               |           |
| 12. Lease time-sharing service for engineering problem-solving in the Highway Commission.                          | Executive | Annual Cost   | \$ 5,000  |

#### Fiscal

- |   |           |               |            |
|---|-----------|---------------|------------|
| 13. Issue vouchers to recover federal aid on a semimonthly basis.   | Executive | Annual Income | \$ 138,000 |
| 14. Discontinue the present policy of reimbursing employees for meals when they are not away from home overnight. | Executive | Annual Saving | \$ 342,600 |
| 15. Bill the federal government for retirement and social security funds.   | Executive | Annual Income | \$ 56,600  |
| 16. Perform Highway Commission accounting functions on a current basis.   | Executive |               |            |

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
17. Bill the federal government up to the amount allocated for each project.	Executive		
18. Make reports to management more concise and meaningful.	Executive		
<u>Purchasing</u>			
19. Raise the limit on bid purchases which may be made without approval of the Office of Purchase and Contract.	Executive		
20. Increase the present limitation on emergency purchases to \$100.	Executive		
<u>Highway Commission</u>			
21. Redistribute the responsibilities of the proposed Chief of Project Management and Productivity Control.	Executive		
22. Establish a comprehensive management development program.	Executive		
<u>Project Control Division</u>			
23. Eliminate one position scheduled for transfer to the Fiscal Section.	Executive	Annual Saving	\$ 6,300
<u>Planning and Research Division</u>			
24. Improve systems for evaluating proposed projects.	Executive	Annual Saving	\$ 825,000
25. Strengthen the Long-Range Planning Section to ensure commissioners have adequate information as to developing transportation needs.	Executive	Annual Cost	\$ 24,700
26. Provide adequate public relations support in matters concerning proposed new roads.	Executive	Annual Cost	\$ 20,000
27. Improve the ability of the planning staff to conduct environmental impact studies.	Executive	Annual Cost	\$ 23,000
28. Eliminate preparation of culture maps.	Executive	Annual Saving	\$ 38,000
29. Replace the present skid trailer.	Executive	Annual Saving One-time Cost	\$ 10,000 \$ 20,000
<u>Traffic Engineering Division</u>			
30. Transfer the Traffic Engineering Division to the Chief Engineer for Operations.	Executive	Annual Saving	\$ 74,700
31. Eliminate unnecessary activities in Technical Operations.	Executive	Annual Saving	\$ 65,300
32. Develop standard traffic channels, signals, and signs.	Executive		
33. Develop standard procedures for preventive maintenance of signals and signs.	Executive	Annual Cost Avoidance	\$ 140,000



RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
34. Develop preventive maintenance programs for highway signs.	Executive	Annual Saving	\$ 700,000
<u>Right of Way Division</u>			
35. Eliminate the assistant director position.	Executive	Annual Saving	\$ 20,100
36. Replace the central office section heads and the area agents with regional agents.	Executive	Annual Saving	\$ 285,000
37. Replace the present offices with three regional offices.	Executive	Annual Saving	\$ 687,000
38. Eliminate divisional use of 53 state cars.	Executive	Annual Saving One-time Saving	\$ 108,000 \$ 106,000
39. Accept short-form, value-finding appraisals up to \$2,500.	Executive	Annual Saving	\$ 162,800
40. Use staff appraisers for more right-of-way appraisals.	Executive	Annual Saving	\$ 541,000
41. Reorganize the central administrative section to lend greater support to field operations.	Executive	Annual Saving	\$ 76,000
42. Reduce turnover of division personnel.	Executive		
43. Reduce processing delays by giving regional offices more authority.	Executive		
44. Simplify right-of-way agreements and release-of-claim forms.	Executive		
45. Check and approve all right-of-way agreements before they are signed.	Executive		
46. Transfer several unrelated functions to the proper departments.	Executive		
47. Eliminate the position of the appraisal section coordinator.	Executive	Annual Cost Avoidance	\$ 16,000
48. Increase efforts to achieve equitable out-of-court settlements.	Executive		
<u>Technical Services Division</u>			
49. Transfer the Materials and Tests Department and Permits Department to the Office of Assistant Chief Engineer for Construction and Maintenance.	Executive		
50. Equip Locations and Surveys with modern surveying instruments and tools.	Executive	Annual Saving One-time Cost	\$ 632,500 \$ 146,000
51. Place the airplane and pilot used for Photogrammetry in a state pool.	Executive		
52. Provide modern stereo compilation plotters for photogrammetry operations.	Executive	Annual Saving One-time Cost	\$ 160,500 \$ 189,000
53. Engage outside consultants to evaluate Materials and Tests laboratory operations and facilities.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
<b><u>Highway Design Division</u></b>			
54. Transfer the Highway Design Department from the Chief Engineer for Operations to the Chief Engineer for Planning.	Executive	Annual Saving	\$ 500,000
55. Create a Project Scheduling and Control Department.	Executive		
56. Divide the Roadway Design Department into two groups.	Executive		
57. Eliminate the Consultant Coordinator Office.	Executive	Annual Saving	\$ 60,000
58. Eliminate the position of Assistant State Bridge Design Engineer.	Executive	Annual Saving	\$ 20,000
59. Provide drafting machines in the Bridge Design Department.	Executive	Annual Saving One-time Cost	\$ 17,400 \$ 9,200
<b><u>Construction and Maintenance Division</u></b>			
60. Issue maintenance manuals to field personnel and initiate a formal training program.	Executive		
61. Reduce field inspections at construction sites.	Executive	Annual Saving	\$ 700,000
<b><u>Divisional Operations</u></b>			
62. Establish a consistent statewide standard operating policy.	Executive		
63. Reduce overtime by starting the work week at 12:01 a.m. Monday morning.	Executive	Annual Saving	\$ 70,000
64. Reduce the number of vehicles used primarily for personal transportation purposes.	Executive	Annual Saving One-time Cost Avoidance	\$ 1.7-million \$ 4.7-million
65. Perform all routine maintenance during the night shift.	Executive	Annual Saving One-time Cost Avoidance	\$ 2-million \$ 4-million
66. Replace all temporary annual personnel with permanent employees.	Executive	Annual Saving	\$ 3.3-million
67. Consolidate division field forces to distribute year-round maintenance work loads.	Executive	Annual Saving	\$ 1.5-million
68. Establish a centrally administered emergency maintenance fund.	Legislative		
69. Install a planning and scheduling system in each division to improve productivity and equipment utilization.	Executive	Annual Saving One-time Cost Avoidance	\$ 7.3-million \$ 7.7-million
70. Lengthen the work day during the season of high maintenance and construction activity.	Executive	Annual Saving	\$ 1.1-million
71. Establish a strong information services program within each division.	Executive	Annual Cost	\$ 420,000
72. Reduce accident costs by establishing a formal safety program.	Executive		
73. Conduct a statewide study of asphalt costs.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
74. Allocate construction and maintenance funds based on a statewide priority point system.	Legislative		
75. Improve the quality of preliminary estimates for new projects by allowing more time for preparation.	Executive		
76. Improve the quality of state project estimating to provide a better basis for evaluating contractor bids.	Executive		
77. Reduce field construction costs by establishing critical path scheduling methods.	Legislative		
78. Reduce the number of assistant resident engineers assigned to each division.	Executive	Annual Saving	\$ 420,000
79. Improve specifications for purchasing equipment and spare parts.	Executive		
80. Review the employment classification of equipment superintendents.	Executive		
81. Establish a management training program for all levels of division management.	Executive	Annual Cost	\$ 100,000
82. Transfer responsibility for division equipment operations to division management.	Executive		
83. Establish a position of controller in each division to provide adequate financial and clerical supervision.	Executive	Annual Cost	\$ 210,000
84. Increase the advertisement time on jobs to be let for contractor bid.	Executive		
<u>Equipment Division</u>			
85. Eliminate all automobile and pickup truck washing at shop facilities.	Executive	Annual Saving	\$ 546,000
86. Reduce shop and supply personnel by 13% on a division basis.	Executive	Annual Saving	\$1.44-million
87. Reduce accident damage through driver and machine operator training programs.	Executive		
88. Reduce the equipment inventory by 15%.	Executive	One-time Cost Avoidance	\$11.55-million
89. Consider establishing another parts depot.	Executive		
90. Eliminate the upholstery, plumbing, carpentry, and glazing shops at the Raleigh equipment depot.	Executive	Annual Saving	\$ 100,000
91. Transfer Raleigh personnel to the equipment depot rather than to leased quarters.	Executive	Annual Cost Avoidance	\$ 20,400
		One-time Cost	\$ 60,000
92. Implement an accounting system for the equipment fund which will charge each of the 14 divisions for all of the equipment physically located in the division.	Executive		



RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
93. Consolidate equipment shops wherever they are located near division facilities.	Executive	Annual Saving	\$ 62,700
94. Implement the 33 recommendations outlined in the recent equipment management study.	Executive		
95. Study the feasibility of having the division's shops provide service to additional state agencies.	Executive		
96. Reduce the number of permanently assigned automobiles and pickup trucks and base assignments on daily need for state business, plus minimum mileage traveled of 13,000 miles per year.	Executive		
97. Concentrate all major maintenance work in the 14 division shops, and phase out all 35 district shops or relegate them to the role of subshops.	Executive		
98. Examine the need for two-way radios.	Executive		
99. Regionalize departmental vehicles on a manufacturer's make basis.	Executive		
100. Eliminate repainting of Highway Commission trucks.	Executive		
<b>Ferry Operations</b>			
101. Change the present title to Ferry Division, and place ferry operations, maintenance, and engineering under this division.	Executive		
102. Initiate a long-range planning study of equipment and facilities requirements.	Executive		
<b>Office of Motor Vehicles</b>			
103. Use retired Highway Patrol automobiles in low-mileage operations conducted by other state agencies.	Executive		
104. Change the color of Highway Patrol cars to white.	Legislative	Annual Saving	\$ 70,000
105. Revise the fee structure for driver's license examinations.	Legislative	Annual Income	\$ 847,100
106. Evaluate the salaries of the driver's license examiners.	Executive		
107. Devise a more economical way to report daily license fee collections.	Executive		
108. Consider the issuance of classified driver's licenses.	Executive		
109. Increase the fee for the traffic collision report to help offset costs.	Legislative	Annual Income	\$ 38,000
110. Reduce auditing of registration branch work to a 25% random sample and discontinue detail inspection.	Executive	Annual Saving	\$ 88,200

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
111. Microfilm all detail registration branch reports and transfer files from Branch Auditing to the Filing Unit.	Executive	Annual Saving	\$ 6,300
112. Discontinue the separate driver education fee, and increase registration charges.	Legislative		
113. Eliminate detail inspection of work processed by Charlotte and Raleigh registration offices.	Executive	Annual Saving	\$ 39,300
114. Produce vehicle activity cards automatically.	Executive	Annual Saving	\$ 12,600
115. Reorganize the Registration Division to streamline workflow and change computer input methods.	Executive	Annual Saving One-time Cost	\$ 723,000 \$ 30,000
116. Microfilm vehicle title information.	Executive	Annual Saving One-time Cost	\$ 98,200 \$ 61,200
117. Discontinue the recording of detail work load statistics.	Executive		
118. Install video input computer terminals in the Financial Security Unit.	Executive	Annual Saving One-time Cost	\$ 78,500 \$ 7,500
119. Eliminate the permanent insurance master file, and change the method of checking and filing insurance cancellations.	Executive	Annual Saving	\$ 262,000

#### State Ports Authority

120. Lease the entire Southport Boat Harbor to a private operator.	Executive	Annual Income	\$ 40,000
121. Develop a realistic program for long-range utilization of the phosphate bulk handling facilities at the Port of Morehead City.	Executive		
122. Develop a positive program to place the Port of Morehead City in a better competitive position.	Executive		
123. Discontinue all major capital investments at the Port of Morehead City until full revenue shipments are substantially increased.	Executive		
124. Enlarge business and transportation representation in the Ports Authority Board.	Executive		
125. Authorize the Equipment Division to make rental vehicles, equipment, and tools available to the authority.	Executive		
126. Establish car pools at Wilmington and Morehead City, and reduce the number of cars in use.	Executive	Annual Saving	\$ 18,000
127. Require prior physical examination of potential employees who would operate equipment or perform physical labor.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
<b>Department of Agriculture</b>			
1. Reorganize the department and rename offices to properly reflect their functions and responsibilities.	Executive		
2. Obtain the services of a full-time legal counsel from the Attorney General.	Executive	Annual Cost	\$ 15,000
3. Institute a study of job classifications.	Executive		
4. Establish a centralized management systems section.	Executive	Annual Saving	\$ 7,000
<b>Office of Fiscal Management</b>			
5. Eliminate the biennial report.	Legislative	Annual Saving	\$ 1,400
6. Delay payment of bills, other than those involving a discount, until they become due.	Executive	Annual Saving	\$ 7,500
7. Make the collection of assessments for commodity associations self-supporting.	Legislative	Annual Income	\$ 11,000
8. Reduce the staff of the audit section.	Executive	Annual Saving	\$ 24,500
9. Eliminate duplicate files, unnecessary records, and excessive testing of bills, and standardize departmental reporting forms and procedures.	Executive	Annual Saving	\$ 20,000
10. Rearrange office facilities.	Executive		
11. Transfer the State Fair and Farmers' Market Divisions to the Office of Agri-Business and Public Service.	Executive		
12. Publish the newspaper monthly and restrict its content to information not available in other media.	Executive	Annual Saving	\$ 18,000
13. Install a deep-well water system on the State Fairgrounds.	Legislative	Annual Saving One-time Cost	\$ 20,000 \$ 100,000
14. Increase admission prices at the State Fair.	Executive	Annual Income	\$ 150,000
15. Eliminate the Office of Public Relations for the State Fair and transfer this responsibility to the Publications Division.	Executive	Annual Cost Avoidance	\$ 20,000
16. Obtain federal funds for cooperative programs during the month in which expenses are incurred.	Executive	Annual Saving	\$ 4,500
<b>Office of Consumer Services</b>			
17. Reorganize and rename the office.	Executive	Annual Saving One-time Cost	\$ 31,800 \$ 7,500
18. Purchase several pieces of automatic equipment to increase the efficiency of the microbiology laboratory.	Executive	Annual Cost Avoidance One-time Cost	\$ 9,000 \$ 12,600
19. Raise fees to cover costs of feed inspection services.	Legislative	Annual Income	\$ 100,000



RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
20. Increase the annual registration fee for commercial feed and fertilizer brands.	Legislative	Annual Income	\$ 25,400
21. Review costs of registering agricultural commodities annually, and suggest appropriate fee adjustments to the legislature.	Executive		
22. Delay finalization of design and construction of the new Analytical Chemistry Laboratory.	Executive		
23. Revise the fee structure of the Dairy Law to cover more of the program costs.	Legislative	Annual Income	\$ 23,900
24. Charge a fee for inspection of weighing devices which are not used as a point of sale.	Executive	Annual Income	\$ 10,000
25. Increase the fee for inspecting garbage-feeding operations.	Legislative	Annual Income	\$ 40,000
26. Increase the tag fee for bags of agricultural or vegetable seed weighing 10 pounds or more.	Legislative	Annual Income	\$ 57,000
27. Eliminate the position of Assistant Director of Meat and Poultry Inspection.	Executive	Annual Saving	\$ 20,100
28. Install a computerized system to maintain biological records of insects.	Executive	One-time Cost	\$ 2,500
29. Develop a computer system for reporting results of germination and purity testing of seed samples.	Executive	Annual Saving One-time Cost	\$ 3,200 \$ 2,500
30. Purchase a hydraulic lifting device for use at the calibration station.	Executive	One-time Cost	\$ 3,500
31. Reorganize the Division of Weights and Measures; Gas and Oil.	Executive	Annual Cost	\$ 20,700
32. Close the branch veterinary diagnostic laboratories at Shelby, Waynesville, and Murphy and consolidate these operations at the new Asheville facility.	Legislative	Annual Saving Annual Cost Avoidance	\$ 7,500 \$ 79,000
33. Improve the training of state veterinarians.	Executive	Annual Saving One-time Cost	\$ 35,000 \$ 10,000
<b>Office of Agri-Business and Public Service</b>			
34. Transfer the management of idle, uncultivated land in research station tracts to the State Surplus Property Section.	Executive	One-time Income	\$ 750,000
35. Expedite the current phasing out of the state warehouse system.	Executive	Annual Saving	\$ 15,000
36. Eliminate salaries and wages paid to federal personnel in two divisions.	Executive	Annual Saving	\$ 49,600
37. Establish fee schedules for soil testing, engineering, egg distribution licensing, and seed potato grading services.	Legislative	Annual Income	\$ 170,300

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
38. Develop a data processing plan for records management and consolidate divisional functions at the department level.	Executive	Annual Saving	\$ 29,500
39. Initiate a comprehensive review and planning study of food distribution systems.	Executive		
40. Consolidate all publications and control at the department level.	Executive		
41. Reduce personnel through work simplification and reassignment of duties.	Executive	Annual Saving	\$ 28,200
42. Conduct the farm census biennially.	Legislative	Annual Saving	\$ 41,300
43. Consolidate regulatory functions within the Office of Consumer Services.	Executive	Annual Saving	\$ 15,000
44. Transfer the Museum of Natural History to the Department of Art, Culture, and History.	Legislative		

## Department of Natural and Economic Resources

1. Create an Office of Community Development within the department.	Executive	Annual Saving	\$ 17,200
2. Eliminate positions unfilled for at least 90 days.	Executive	Annual Cost Avoidance	\$ 104,300
3. Study the feasibility of consolidating enforcement units of individual offices.	Executive		

## Office of Water and Air Resources

4. Reorganize and rename the office.	Legislative	Annual Saving	\$ 368,900
5. Transfer responsibility for registration of dredging equipment from the Waterways and Seashores Division to the Office of Commercial and Sports Fisheries.	Executive		
6. Eliminate one clerical position in the Waterways and Seashores Division.	Executive	Annual Saving Annual Cost Avoidance	\$ 3,000 \$ 5,000
7. Transfer the responsibility for Aquatic Plant Control from the Waterways and Seashores Division to the Wildlife Resources Commission to improve operating effectiveness.	Executive		
8. Assign full-time legal counsel to the Office of Water and Air Resources from the Office of the Attorney General.	Executive		

## Commercial and Sports Fisheries

9. Dispose of two patrol boats.	Executive	Annual Saving One-time Income One-time Cost Avoidance	\$ 3,500 \$ 8,000 \$ 60,000
10. Redistribute patrol boats.	Executive	Annual Saving One-time Income	\$ 3,500 \$ 28,000

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
11. Charge a fee for permits required by the North Carolina Dredge and Fill Law.	Legislative	Annual Income	\$ 27,500
12. Sell the district office in Southport.	Executive	Annual Saving One-time Income	\$ 1,000 \$ 30,000
13. Transfer the director and the Raleigh staff to headquarters in Morehead City.	Executive		
14. Establish a position of Administrative Officer.	Executive		
15. Automate the annual licensing of commercial fishing boats.	Executive	Annual Saving One-time Cost	\$ 13,400 \$ 5,000
16. Eliminate the position of Sports Fisheries Statistician from Estuarine Studies.	Executive	Annual Saving	\$ 13,500
17. Discontinue collection of the dealer self-assessment for the North Carolina Fisheries Association.	Legislative		
18. Purchase ship-to-shore radio equipment immediately for personnel safety purposes.	Executive	One-time Cost	\$ 1,600
19. Eliminate the budget provision support of the former Office of Fisheries and Wildlife Resources.	Executive	Annual Saving	\$ 8,500

#### Wildlife Resources Commission

20. Eliminate the budget provision for the Office of Fisheries and Wildlife Resources.	Executive	Annual Cost Avoidance	\$ 25,600
21. Halt duplicate inventory and accounting work.	Executive	Annual Saving One-time Income	\$ 3,200 \$ 3,000
22. Eliminate a revenue collection supervisory position.	Executive	Annual Saving	\$ 8,500
23. Phase out the administrative tabulating unit.	Executive	Annual Saving	\$ 24,100
24. Increase the yearly subscription price for the commission's magazine to \$2.	Executive	Annual Income	\$ 75,000
25. Replace outdated information and education films.	Executive	One-time Cost	\$ 60,000
26. Employ the state university audio-visual department for distribution of films.	Executive	Annual Cost	\$ 2,100
27. Revise the current hunting and fishing licensing system.	Executive	Annual Saving Annual Cost Avoidance	\$ 43,500 \$ 2,400
28. Require license agents to certify the residence of each applicant by examining a driver's license or other identification.	Executive	Annual Income One-time Cost	\$ 18,500 \$ 1,500
29. Intensify the Forest Management Program of the Game Section and apply the commission's income from sale of forest products towards the cost of this program.	Executive	Annual Income	\$ 28,000



RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
30. Evaluate the benefits and use of each parcel of state-owned gameland at 5- or 10-year intervals.	Executive		
31. Review the policy regarding the rotation of automobiles.	Executive		
32. Improve the reliability of radio system relay stations.	Executive		
33. Revise the boat registration system.	Executive	Annual Saving	\$ 12,600
34. Eliminate the position of engineering aide.	Executive	Annual Saving	\$ 10,800
Office of Earth Resources			
35. Transfer this group to the Office of Environmental Management and Protection.	Legislative		
Office of Industrial, Tourist, and Community Resources			
36. Reduce staffing through reorganization of the Division of Commerce and Industry and realignment or elimination of functions in other divisions.	Executive	Annual Saving One-time Income	\$ 122,600 \$ 2,800
37. Transfer the Division of Law and Order to the proposed Office of Community Development to improve administration.	Legislative		
38. Reorganize the Board of Science and Technology to make it more sensitive to the need for industrial expansion in North Carolina.	Executive		
39. Transfer the Parks, Parkway, and Forest Development Commission as well as the Travel and Promotion Division to the Office of Parks, Recreation, and Tourist Resources.	Executive		
40. Change the name to the Office of Industrial Resources.	Executive		
41. Transfer responsibility for the Division of Community Services to the proposed Office of Community Development.	Executive		
Office of Forest Resources			
42. Eliminate the detailed report on nursery costs prepared by the State Auditor.	Executive	Annual Saving	\$ 25,200
43. Install refrigeration equipment at state nurseries for storing seedlings.	Legislative	Annual Income One-time Cost	\$ 35,000 \$ 50,000
44. Grade seedlings at the nurseries, and increase their selling price.	Executive	Annual Income	\$ 22,000
45. Construct a central shop facility.	Legislative	Annual Saving One-time Cost	\$ 350,600 \$ 125,000
Office of Recreation Resources			
46. Restructure and rename the office.	Executive	Annual Saving	\$ 29,300

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
47. Place administration of the Kerr Reservoir under the State Parks Division.	Legislative		
48. Establish a forest management program on state park lands used for recreation purposes.	Executive	Annual Income	\$ 33,600
49. Increase the rental fee for use of community buildings.	Executive		
50. Purchase a new surveyor's transit with automatic distance meter for engineering.	Legislative	One-time Cost	\$ 8,500
51. Authorize a comprehensive study of the parks and recreation needs of the state, and identify continued operations as either State Parks or State Recreation Areas.	Executive		
52. Close Singletary Lake Park.	Executive	Annual Saving	\$ 26,000
53. Operate Hammocks Beach State Park with part-time staff.	Executive	Annual Saving	\$ 11,000

#### Office of Administrative Services

54. Provide adequate equipment for the office's staff photographers.	Executive	Annual Saving One-time Cost	\$ 1,100 \$ 2,000
55. Eliminate the biennial report prepared for the Conservation and Development Department.	Executive	Annual Saving	\$ 900
56. Align the graphic arts and printing sections.	Executive		
57. Combine the positions of supply room clerk and mail room supervisor.	Executive	Annual Saving	\$ 5,000
58. Deposit cash receipts daily.	Executive	Annual Saving	\$ 3,000
59. Modernize printing facilities.	Executive	Annual Saving One-time Cost	\$ 20,000 \$ 14,500
60. Eliminate unproductive or duplicate labor.	Executive	Annual Saving	\$ 15,000
61. Expand the Wildlife Resources warehouse in Raleigh and consolidate all departmental warehousing at the facility.	Executive	Annual Saving Annual Income One-time Cost Avoidance	\$ 47,300 \$ 9,000 \$ 2,700 \$
62. Utilize data processing equipment for maintaining accounting records and consolidate all accounting functions in Fiscal Affairs.	Executive	Annual Saving One-time Income	\$ 100,000 \$ 20,000
63. Review departmental publications.	Executive		

#### Department of Public Education

1. Reorganize the department.	Legislative
2. Establish a position of Secretary of Public Education.	Constitutional
3. Redefine eligibility for membership in the State Board of Education.	Legislative

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
<b>Department of Public Instruction</b>			
4. Reduce the number of secretarial employees by pooling services.	Executive	Annual Saving	\$ 126,000
5. Authorize the State Board of Education to require merger of local administrative units within counties.	Legislative	Annual Saving	\$ 600,000
6. Authorize the State Board of Education to require merger of local administrative units across county lines.	Legislative	Annual Saving	\$ 400,000
7. Eliminate all vacant nonprofessional positions from the budget.	Executive	Annual Cost Avoidance	\$ 63,000
<b>Controller's Office</b>			
8. Reduce the extent of audits of vouchers issued by local units.	Executive	Annual Saving	\$ 12,600
9. Automate salary certification records.	Executive	Annual Saving	\$ 37,800
10. Reorganize Auditing and Accounting and transfer the school food auditors to the field auditing section.	Executive		
11. Adopt a standard chart of accounts and uniform procedures for processing agency general expense vouchers.	Executive	Annual Saving	\$ 25,200
12. Require public schools to purchase fire and extended coverage insurance through the Public School Insurance Fund in the Division of Insurance.	Legislative	Annual Saving (Local)	\$ 292,500
13. Install a computer terminal in the Management Information Systems area.	Executive	Annual Saving	\$ 10,000
14. Extend automation of the current community college student curriculum statistical reporting system.	Executive	Annual Saving One-time Cost	\$ 52,500 \$ 25,000
15. Merge the community college Management Information Division with the controller's Management Information Systems Division.	Executive	Annual Saving	\$ 32,000
16. Transfer accounting machine functions to the Management Information Systems Division and adapt these systems to the proposed central computer.	Executive	Annual Saving	\$ 65,000
17. Eliminate the unit record tabulating section within the Management Information System Division.	Executive	Annual Saving One-time Income	\$ 16,000 \$ 5,000
18. Reorganize the Management Information Systems Division.	Executive	Annual Saving	\$ 39,100
19. Implement a program of periodic employee evaluation.	Executive		



RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
20. Require all school units to follow fuel conservation procedures as directed by Plant Operations.	Executive	Annual Saving (Local) One-time Cost (Local)	\$ 1.1-million \$ 1.5-million
21. Discontinue manual posting of building custodians' wages.	Executive	Annual Saving	\$ 7,500
22. Move four sections currently leasing office space to the state-owned Education Building.	Executive	Annual Saving One-time Cost	\$ 34,000 \$ 76,000
23. Assign responsibility for all office equipment to one division.	Executive	Annual Saving One-time Income	\$ 10,000 \$ 2,500
24. Realign all duplicating functions under Agency Services and reorganize the division.	Executive	Annual Saving One-time Cost	\$ 149,400 \$ 15,000
25. Automate the primary functions of Teacher Allotment and General Control.	Executive	Annual Saving	\$ 50,000
26. Establish a cut-off date of January 1 for the adoption of basal textbooks.	Executive		
27. Establish a computer program to maintain inventories of basal textbooks in the state depository and individual school units.	Executive	Annual Saving One-time Cost	\$ 6,300 \$ 1,000
28. Remove seven vacant positions from the Textbooks Division payroll.	Executive	Annual Cost Avoidance	\$ 42,200
29. Abolish the unit credit balance for elementary supplementary textbooks.	Executive		
30. Reduce the special fund equity balance and include anticipated discounts in preparing textbook budgets.	Executive	Annual Saving	\$ 150,000
31. Construct a one-story building for a textbook warehouse and reject the building now under construction.	Legislative	Annual Saving One-time Cost	\$ 56,000 \$ 420,000
32. Convert the manual system of inventory control to data processing.	Executive	Annual Saving One-time Cost	\$ 2,000 \$ 1,000
33. Issue titles of buses directly to local school units.	Executive	Annual Saving	\$ 10,000
34. Study the feasibility of combining state vehicle maintenance shops in each county and transferring ownership of school buses and service vehicles from local school boards to the State Board of Education.	Executive		
Department of Community Colleges			
35. Eliminate invoicing and all other accounting functions in the Media Processing Section of Business Affairs.	Executive	Annual Saving	\$ 33,000
36. Include funds for non-book library material other than equipment in the library book budget.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
37. Discontinue preparing accession lists and keeping book inventory records in Media Processing.	Executive	Annual Saving	\$ 6,300
38. Eliminate the Equipment Section of Business Affairs.	Executive	Annual Saving	\$ 123,600
39. Phase out the Planning and Coordination, Information and Publications, and Degree and Diploma Programs Divisions.	Executive	Annual Saving	\$ 73,000
40. Eliminate the positions of Vice President for Administrative Services and Vice President for Educational Services as well as the secretarial position assigned to each.	Executive	Annual Saving	\$ 56,000
41. Remove 11 secretarial positions from the divisions under Educational Services.	Executive	Annual Saving	\$ 69,300

## The University of North Carolina

1. Revise the budgetary process and implement program budgeting.	Legislative		
2. Require systematic operational planning by each university.	Executive		
3. Study dormitory needs and incorporate findings into the current operational plans of each university.	Executive		
4. Employ a physical facilities coordinator to maintain liaison with the universities on construction and renovation.	Executive	Annual Cost	\$ 20,000
5. Develop building codes which allow greater flexibility in construction.	Executive		
6. Establish a systems department to design and assist in implementing a management information system.	Executive	Annual Cost	\$ 50,000
7. Establish a data processing planning committee and evaluate centralization of functions and equipment.	Executive	Annual Saving	\$ 370,000
8. Implement a comprehensive manpower development program.	Executive	Annual Cost	\$ 30,000
9. Coordinate and expand internal auditing at the universities.	Executive		
10. Implement safety and fire prevention programs at the universities.	Executive		
11. Conduct a university-wide study and annual seminars on overhead rates.	Executive		
12. Review consulting service requests to utilize university specialists to the extent possible.	Executive		
13. Develop a personnel payroll system for the use of each institution.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
14. Implement standards for physical plant maintenance and housekeeping operations.	Executive	Annual Saving	\$ 280,000
<b>The Universities</b>			
15. Eliminate funded SPA positions vacant more than 90 days.	Executive	Annual Cost Avoidance	\$1.09-million
16. Develop a more precise definition of exemptions from the State Personnel Act.	Executive		
17. Upgrade the standards of security officer positions.	Executive		
18. Utilize audio-visual presentations for employee orientation.	Executive	One-time Cost	\$ 12,000
19. Evaluate sale and rental of textbooks to undergraduate students.	Executive		
20. Develop general policies and procedures manuals for academic and administrative offices.	Executive		
21. Develop computerized inventory control for all movable property with a value of \$150 or more.	Executive	Annual Income	\$ 50,000
		Annual Cost	\$ 16,000
		One-time Income	\$ 235,000
		One-time Cost	\$ 90,000
22. Develop and enforce security standards for data processing centers.	Executive		
23. Establish data processing documentation standards.	Executive		
24. Utilize compact trucks for some intra-campus service.	Executive	Annual Saving	\$ 25,000
25. Increase university transcript fees to a uniform rate of \$3 each.	Executive	Annual Income	\$ 190,000
26. Study the feasibility of quick-copy centers.	Executive	Annual Saving	\$ 20,000
27. Improve control of vending machine contracts and service.	Executive	Annual Income	\$ 10,000
28. Implement equitable automobile registration fees.	Executive	Annual Income	\$ 21,000
<b><u>Appalachian State University</u></b>			
29. Substitute a pre-engineered building to replace the brick design for the proposed physical plant facility.	Executive	One-time Cost Avoidance	\$ 401,000
30. Reduce the number of authorized permanent positions within the Continuing Education Center.	Executive	Annual Cost Avoidance	\$ 45,000
31. Replace four full-time positions in the bookstore with part-time help.	Executive	Annual Saving	\$ 10,900
32. Reduce the bookstore's stock of athletic equipment.	Executive		



RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
<b>33. Formalize open-account purchase agreements with local vendors.</b>	Executive		
<u>East Carolina University</u>			
<b>34. Evaluate converting excess dormitory space into more desirable quarters or other usable space.</b>	Executive		
<u>Elizabeth City State University</u>			
<b>35. Assign a construction engineer to supervise renovation and new construction projects.</b>	Executive	Annual Cost	\$ 15,000
<b>36. Establish procedures to ensure a Grade A sanitary rating for the university cafeteria.</b>	Executive		
<b>37. Institute controls on stationery and supplies.</b>	Executive		
<u>Fayetteville State University</u>			
<b>38. Consolidate business operations under a Vice Chancellor for Finance and Business.</b>	Executive		
<b>39. Purchase a two-way radio communication system for the campus police force.</b>	Executive	One-time Cost	\$ 6,500
<b>40. Strengthen procedures for collecting delinquent accounts receivable.</b>	Executive		
<u>North Carolina Agricultural and Technical State University</u>			
<b>41. Increase staff to strengthen the university's general accounting function.</b>	Executive	Annual Cost	\$ 11,000
<b>42. Automate student accounts receivable.</b>	Executive	Annual Saving Annual Cost One-time Cost	\$ 12,600 \$ 1,000 \$ 4,000
<b>43. Utilize the library's data processing equipment in the university computer center.</b>	Executive	Annual Cost Avoidance One-time Cost Avoidance	\$ 3,000  \$ 4,000
<b>44. Increase the grounds maintenance staff.</b>	Executive	Annual Cost	\$ 7,500
<u>North Carolina Central University</u>			
<b>45. Assign a construction engineer to supervise contractors.</b>	Executive	Annual Cost	\$ 15,000
<b>46. Convert the snack bar to fast food service.</b>	Executive	Annual Income	\$ 12,000
<b>47. Strengthen procedures for collecting delinquent accounts receivable.</b>	Executive		
<u>North Carolina School of the Arts</u>			
<b>48. Implement a purchase order encumbrance system.</b>	Executive		

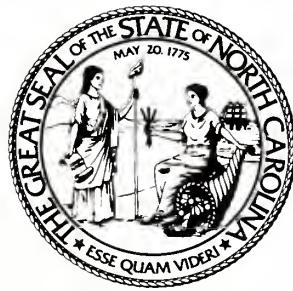
RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
<u>North Carolina State University at Raleigh</u>			
49. Reorganize the Office of Finance and Business Affairs.	Executive		
50. Establish a systems and procedures analysis department.	Executive	Annual Cost	\$ 15,000
51. Centralize administrative and accounting procedures for research contracts and grants.	Executive	Annual Saving One-time Cost	\$ 68,000 \$ 20,000
52. Review overhead rates applicable to organized research.	Executive	Annual Income	\$ 837,000
53. Allocate data processing expenses to user departments.	Executive	Annual Income One-time Cost	\$ 50,000 \$ 24,000
54. Use the state long-distance telephone network to reduce costs.	Executive	Annual Saving	\$ 100,000
55. Establish a central receiving point for incoming materials.	Executive	Annual Saving One-time Cost	\$ 30,000 \$ 7,000
56. Establish a centralized electronics repair shop.	Executive		
57. Combine the mini-cafeteria and snack bar in the student activity center.	Executive	Annual Saving	\$ 13,000
58. Reduce the laundry staff.	Executive	Annual Saving	\$ 44,100
59. Consolidate keypunching and dispose of surplus tabulating equipment.	Executive	Annual Saving One-time Cost	\$ 28,200 \$ 2,000
<u>Pembroke State University</u>			
60. Reorganize business operations.	Executive		
<u>University of North Carolina at Asheville</u>			
61. Improve student bookstore operations.	Executive	Annual Saving Annual Income	\$ 3,200 \$ 3,000
<u>University of North Carolina at Chapel Hill</u>			
62. Revamp the internal audit function.	Executive	Annual Cost	\$ 35,000
63. Initiate programs to reduce staff turnover.	Executive	Annual Saving	\$ 121,000
64. Exempt the Carolina Inn from the State Personnel Act and certain requirements for purchasing through the state system.	Legislative	Annual Saving Annual Income	\$ 10,000 \$ 30,000
65. Establish special procedures for minor renovation jobs.	Executive	Annual Saving	\$ 10,000
66. Increase the number of foremen in the physical plant sections.	Executive	Annual Cost	\$ 24,000
67. Reorganize the business section of the Business and Finance Office.	Executive		
68. Raise the parking fee at hospital lots for periods when attendants are not on duty.	Executive	Annual Income One-time Cost	\$ 19,500 \$ 1,000

RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
69. Utilize motor scooters for patrolling parking facilities.	Executive	Annual Saving One-time Cost	\$ 20,700 \$ 2,500
70. Improve the utilization of university vehicles.	Executive	Annual Saving	\$ 113,000
71. Reevaluate the procedure for purchasing typewriters.	Executive		
72. Consolidate operations of the office machine and electronic repair shops.	Executive		
73. Consolidate receiving and warehousing functions of student stores and move the university press and print shop.	Executive	Annual Saving	\$ 32,000
74. Reorganize and increase campus parking facilities.	Executive	Annual Income One-time Cost	\$ 351,000 \$ 350,000
<u>University of North Carolina at Charlotte</u>			
75. Hire a qualified Director of Student Residence Operations.	Executive	Annual Cost	\$ 15,000
76. Establish a retail accounting system for the student bookstore.	Executive	Annual Saving One-time Cost	\$ 21,600 \$ 5,000
77. Employ three additional attendants at the steam plant.	Executive	Annual Cost	\$ 18,900
<u>University of North Carolina at Greensboro</u>			
78. Assess fines for campus parking violations.	Executive	Annual Income	\$ 13,700
79. Establish a central receiving facility.	Executive	Annual Cost One-time Cost	\$ 12,600 \$ 4,200
80. Expand the print shop storage area.	Executive	Annual Saving	\$ 10,000
<u>University of North Carolina at Wilmington</u>			
81. Place library administration under direction of the Dean of the Faculty.	Executive		
<u>Western Carolina University</u>			
82. Reorganize administrative operations.	Executive		
83. Update radio equipment for the security base and patrol cars.	Executive	One-time Cost	\$ 3,000
84. Evaluate converting excess dormitory space into more desirable living quarters or other usable space.	Executive		
85. Increase the student book rental fee to \$12 per quarter, and implement better control procedures for adoption and changes of required textbooks.	Executive	Annual Saving Annual Income	\$ 12,000 \$ 29,400
86. Purchase an additional patrol car for the security force.	Executive	One-time Cost	\$ 4,500



RECOMMENDATIONS	ACTION REQUIRED	SAVINGS, INCOME OR COST	ESTIMATED AMOUNT
87. Install a stand-by, steam-turbine-feed water pump to service the boilers.	Executive	Annual Saving One-time Cost	\$ 9,700 \$ 12,000
88. Sell the off-campus electric power facilities.	Executive	Annual Saving Annual Income One-time Income	\$ 4,000 \$ 8,800 \$ 100,000
<u>Winston-Salem State University</u>			
89. Collect traffic violation fines.	Executive	Annual Income	\$ 2,400
90. Discontinue the manual parallel billing system for National Direct Student Loans.	Executive	Annual Saving	\$ 5,000
<u>North Carolina Memorial Hospital</u>			
91. Evaluate utilization of an on-line computer system to control medical records.	Executive		
92. Implement an improved patient accounting system and automate records.	Executive	Annual Saving One-time Cost	\$ 252,000 \$ 500,000
93. Install a perpetual inventory system in the various storerooms as well as a procedure for ordering economic quantities.	Executive	Annual Saving	\$ 30,000
94. Improve stock procedures at nursing stations.	Executive	Annual Saving	\$ 12,600
95. Establish a standardized form for state agencies receiving hospital charges.	Executive		

# Governor's Efficiency Study Commission



## Implementation





# Implementation

Preparation of this report has demanded a dedicated effort on the part of everyone involved in the study. However, the fine work represented in the preceding pages is virtually worthless unless recommendations are vigorously implemented. Governor James E. Holshouser, Jr., has pledged his continued support for the follow-up effort. The strength of this pledge has given study members the encouragement necessary to produce an impressive document in a relatively short time.

The Governor's Efficiency Study Commission has concerned itself with providing workable recommendations for the improvement of North Carolina state government. A significant number of these proposed changes have already been effected or are in various stages of execution. This momentum should not be lost, and the continued cooperation of officials in both the executive and legislative branches should be encouraged. To assure realization of savings and operational improvements, members of this study will be available to provide additional guidance and support.

Proven systems and control procedures developed by the project consultants indicate 40% to 60% of the recommendations can be implemented within 18 to 24 months. However, an aggressive follow-up program must be established to achieve this goal. Therefore, the consultants will work with Governor Holshouser and members of the Executive Committee to develop a plan of action. They will also help determine objectives, establish an organization, define responsibility, set priorities, measure and report results, and motivate key people toward continued improvement.

In support of such a program, the following measures are proposed:

- ▶ Initiate implementation by issuing an Executive Order. This order should outline the organization and implementation phase of the study and express the Governor's desire for support. Since most recommendations can be implemented by agency officials, their interest, understanding, and full cooperation should be encouraged.
- ▶ Establish a position for a full-time implementation coordinator. This individual would be responsible for developing and monitoring the implementation program. Responsible directly to the Governor, the position would require 18 to 24 months of active participation. The

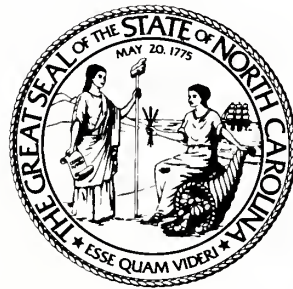
coordinator should have proven skills in management and communications. Such an individual will most likely be found in the private sector, but a knowledge of government operations would be helpful.

- ▶ Review and evaluate all recommendations. The coordinator should discuss proposals with appropriate government officials. Agency heads would be asked to indicate recommendations which have been implemented or are being acted upon. Recommendations deferred for future action or those which the agency head feels cannot be accomplished should receive particular attention. These interviews will facilitate development of a preliminary implementation program.
- ▶ Develop a formal program. The coordinator would then compile and tabulate the results of his reviews. Data must include recommendations discussed, implementation status, dollars involved, and scheduling plans for implementation of the various proposals. Recommendations not readily acceptable to agency heads may require supplementary information from the study's permanent files, additional independent research or the expertise of a study team member familiar with the area involved. Considerations other than sound management concepts may dictate an alternate course. All significant factors must be weighed before an implementation program for any agency can be finalized.
- ▶ Measure progress and review results. The implementation coordinator should monitor the timeliness and extent of accomplishment for each proposal. Progress can then be compared with the original implementation plan. Measurement against established objectives will permit identification of problem areas. Quarterly progress reports should be made to the Governor, who in turn can pass them on to former Executive Committee members and the project consultants.

The Governor's Efficiency Study Commission hopes its report will serve principally as a beginning, or model, for ongoing review of management practices in North Carolina state government. Providing services to the people as efficiently and economically as possible has been the aim of this study. Achieving this goal is essential to good government.



# Governor's Efficiency Study Commission



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